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AUGUST, 1947

AMONG THE FEATURES

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AMERICAN MANAGEMENT ASSOCIATION

A Critical Year in Labor-Management Relations Is Impending

INDUSTRIAL RELATIONS CONFERENCE

HOTEL PENNSYLVANIA, NEW YORK • OCT. 2-3, 1947

A critical, perhaps historic, year appears to loom in the field of labor relations. This was the consensus of more than 1,000 industrial relations executives who participated in the preliminary survey for this AMA Autumn Industrial Relations Conference. Management is preparing for an era in industrial relations whose advent has been signalized, but not brought about, by passage of the Labor-Management Relations Act. Many forces and trends whose existence antedated the LMRA are coming into fruition; they are bound to give rise to new thinking regarding basic labor-management relations. Much of this philosophy will be evident in discussions at the Autumn Conference.

To non-members who read this announcement, AMA regrets to say that the Conference will be restricted to members of the Association. The decision to follow this policy in connection with all future AMA conferences was reached recently by the Association's Board of Directors, in view of the fact that many of the Association's conferences have been overcrowded by the attendance of non-members.

Among the Conference Topics:

- TAKING STOCK OF THE LABOR SITUATION
- THE NLRB'S NEW RESPONSIBILITIES
- THE NEW RULES OF COLLECTIVE BARGAINING
- HOW UNIONS ARE MEETING THE LMRA
- RECENT EXPERIENCE UNDER THE ACT: A UNION VIEW
- A FAIR DAY'S WORK FOR A FAIR DAY'S PAY
- THE FOREMAN IN MANAGEMENT
- EMPLOYEE COMMUNICATION—CASE STORIES AND CRITICISMS

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AMERICAN MANAGEMENT ASSOCIATION
330 West 42nd Street New York 18, N. Y.

James O. Rice, *Editor;* M. J. Dooher, *Managing Editor;* Alice Smith, *Associate Editor;* Vivienne Marquis and Evelyn Stenson, *Assistant Editors.*

THE MANAGEMENT REVIEW is published monthly by the American Management Association at 330 West 42nd Street, New York 18, N. Y., at fifty cents per copy or five dollars per year. Vol. XXXVI, No. 8, August, 1947. Entered as second-class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879.

Changes of address should be forwarded to the publishers *one month in advance,* and postal unit numbers should be included in all addresses.

the MANAGEMENT REVIEW

Volume XXXVI No. 8

AUGUST, 1947

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GENERAL MANAGEMENT...

Needed: Adventurous Business Men

IF THE fate of world freedom hangs upon American response to the challenge of world need and world Communism, how and where shall we begin?

Our primary job, obviously and beyond argument, is to carry the industrial revolution forward at home. We shall win few converts to capitalism and democracy, and perhaps not even keep them for ourselves, unless an overwhelming majority of us are content with the kind of lives that they make possible. And even if Marx and Lenin and Stalin had never been born, the path of the U. S. toward greater and more stable prosperity would still clearly lie in the direction of increasing world trade.

The prosperity of the world, as we discovered in the 1930's, rests on our economic vigor: our ability to buy, to sell, to lend, to invest. But the world's crying need today is not for our dollars but for our production; our dollars are needed but they are useless unless there are goods to be bought with them.

And the U. S. must also, if it is really to lead the way to world freedom, lend the world some of its industrial know-how. Americans with the needed knowledge and resourcefulness must go over the earth, as investors and managers and engineers, as makers of mutual prosperity, as missionaries of capitalism and democracy.

Role of Policy. What every foreign trader needs most from the U. S. Government is a firm, consistent foreign policy, particularly as it affects the rights and interests of Americans abroad. This calls, in turn, for a revolutionary change, by the government and by the whole American people, in the traditional U. S. attitude toward foreign trade.

We know now that U. S. peace and prosperity are inseparable from the rest of the world's. Unlike the British, we do not and will not have to trade abroad just to keep on eating. But in the direction in which our vital interest lies, the direction of mutual prosperity and freedom, American commercial policy must be as steadfast as ever Britain's was.

International Double Taxation. One field of governmental activity is a special concern of all business men, big and small, who make direct investments in the form of ownership and operation of a business abroad. This is the field of international double taxation, by which the income from a foreign business enterprise is taxed by both (1) the country in which it is located; (2) the country of which its owner is a citizen, or in which the business is incorporated.

The U. S. has negotiated treaties with several nations to avoid such double taxation of each other's citizens, and also makes certain special tax concessions of its own to some citizens who do business outside the continental U. S. But, in general, the U. S. taxes the income of its citizens from foreign businesses more heavily than most other nations tax similar income of their citizens. Thus our government itself puts Americans at a competitive dis-

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advantage in doing business abroad. If the U. S. really means to encourage direct American investment abroad, tax reform seems beyond argument.

The Innocents Abroad. Britons, Germans, Dutch, Swedes have sought their fortunes abroad because opportunities were scarce at home. Americans ask: "Why leave home when you can make a good living right here?"

But Americans' aversion to life abroad, and their frequent failure to adapt themselves to it successfully, are also the result of an education that has left them ignorant of any people except their own. If Americans are to succeed as world leaders and world traders, argue many veteran traders, American education from the first grade up must be drastically reoriented toward more courses in economic geography; more study of foreign customs and traditions and ways of living and working; more and better teaching of languages. There must be more student travel, more exchange of students between the U. S. and other countries.

Three Battalions for Freedom. The prospective front-line soldiers and battalions in the fight for freedom fall naturally into three groups, each with its own problems and opportunities. First come the great corporations, already established abroad, who need little advice or government help in handling their problems. They are concerned chiefly with rebuilding and retrieving their war-damaged plants. The firmness with which the government insists on restoration of or adequate compensation for their properties will have much to do with their willingness to risk future expansion.

The group that must become the second wave of U. S. attack on world poverty and fear is composed of experienced smaller business men; big business cannot carry the burden alone. The third and final group of prospective American business men abroad are the young men, the ex-GI's and college boys dreaming of fortune and adventure. World War II, besides giving millions of foreigners a taste for Fig Newtons, Hershey Bars, Spam, and a hundred other products, gave many U. S. servicemen who carried them around the world a taste for foreign life. Thousands are thinking of starting business for themselves abroad; even more are planning to import something they saw somewhere or export something for which they saw a need.

But what are the chances of individual success, and how should prospective traders go about achieving it? In search of the answers, *Fortune* recently talked with scores of U. S. business men and government officials about the problems common to all would-be adventurers abroad. Here, in question and answer form, is the gist of what old hands have to say about them:

How can you find out where the demand for your product is strongest, and what the political and economic outlook in that country is?

The Department of Commerce is probably the best place to start. Most American businessmen have no idea what a wealth of information about foreign business conditions and opportunities they have in the Office of International Trade.

Write to one of Commerce's regional offices near your home to get their printed matter; they have a wealth of it. To get down to cases, you'll have to go to the department in Washington. Go to the Special Services and Intelligence Branch. They'll send you to their Commodities Section to talk with a specialist in your product, and to one of their "country desks" in the Areas Section for a specialist in the country you're interested in.

If you want to know more about the political outlook in the country you're considering, go to the man on that country's desk in the State Department. While you're there, see somebody in the Division of Financial Affairs for information on the country's exchange and currency situation. And someone in the Division of Investment and Economic Development might be able to tell you just what you want to know about opportunities in your particular line. There's a good bit of overlapping between State and Commerce, and it pays to check with both of them.

There are plenty of other places to get information in this country. The U. S. Chamber of Commerce has a foreign-trade division, with branches in over a hundred local chambers. The National Foreign Trade Council in New York will be glad to help you. Talk with people in firms that have a branch in the country you're interested in, and with the editors of your trade papers. And after you've found out everything you can here, if it still looks good, take a trip and look things over for yourself.

What else do you need to know about the country where you decide to set up your business?

First, the language. If you possibly can, learn it before you go. Without it you'll be behind the eight ball right from the start. After that, everything: customs, climate, laws, taxes, history, traditions. You can't know too much, and anything you don't know is likely to get you into trouble.

What is the best way to get started in a new country?

Probably the first thing to do, once you've decided where to set up your business, is to get a good local lawyer. The Commerce Department can give you the name of a reliable one anywhere, as well as details about people you'll have to do business with. Then get some local man to go in with you, or at least get some local connection, somebody interested in your business. Local people can help you, especially with your contracts and in your dealings with the government. It pays to let local people take a large part in running your foreign subsidiaries and branches.

Where can you get the extra capital you need?

Here's another place you might find it profitable to get some local participation. Give local investors a stake in the business. Quite a few countries require it by law now, anyway. Most countries need American capital, but they do have local capital. And you'll need plenty of local currency in your business—for wages, taxes, expenses, local parts and materials. Of course, they'll expect a big return; 10 or 15 per cent or more is the customary return on ordinary loan capital. But you'll make more than that, if you're successful. Just be sure they are willing to put some of the profits back in the business.

Two companies in New York City, Overseas Corp. and Lauchlin Currie & Co., Inc., can help you locate foreign investors. Further, many countries now have government agencies that will make loans to an American with some capital of his own and the know-how they need to develop local industry. Or perhaps you can find some established firm in the country that will set up a branch to manufacture your product, and let you run it on shares or on a management contract.

Fortune, June, 1947, p. 83:9.

The Assault on Profits

ONE of the most striking and significant features of the postwar wage-price controversy is the distrustful attitude toward business profits that appears in statements by labor organizations, by government officials and agencies, by private economists, and even occasionally by business men themselves. It is not merely that business concerns are conceived to be unfairly enriching themselves at the expense of their employees, though this idea is frequently emphasized by labor leaders in wage disputes. Nor is it merely that business is believed to be able to "afford" to reduce prices and thereby offset inflationary tendencies, though this point is repeatedly stressed by public officials, from the President down.

The fear of profits goes deeper than this. It rests on the belief that income in the form of profits and other returns to "capital," unlike income in the form of wage and salary payments, is not fully and promptly spent for goods and services. Too much of it is "saved." This portion, it is held, does not contribute its full share to the demand necessary to maintain production and employment at high levels. The higher profits are, the greater is this supposed deficiency of demand. And since production and employment cannot be maintained unless the goods produced are in demand, high profits are regarded as constituting a positive force making for depression.

This theory of "over-saving" or "under-consumption" is not a postwar development. It was advanced many years ago as a possible explanation of the cyclical fluctuations of business activity, and, in a somewhat modified form, has been greatly popularized in recent years by the writings of Lord Keynes and his followers. According to Keynes, the tendency for savings to accumulate in the form of idle and unspent funds is not primarily a cyclical phenomenon but a continuing long-term tendency, and its effects become more serious as society approaches a state of "economic maturity" and opportunities for industrial expansion diminish.

In the prewar depression era, measures were taken by the Federal Government which, according to the "over-saving" theory, should have had the effect of diverting income from business and the owners of capital—who would have allowed it to lie in partial stagnation—into other hands where it would be spent for goods and services and thus increase demand for the products of industry. For example, taxes on corporation profits and on individual incomes in the higher brackets were sharply increased. Corporate earnings distributed as dividends were taxed twice—once as income to the corporation and once as income to the stockholders. The actual effect of such measures was to stifle enterprise and prolong the depression, because the increased costs and risks of doing business were out of proportion to the diminished opportunities for profit.

Now, apparently, the attack on profits based on the "over-saving" theory, having signally failed to achieve its purpose before the war, is being resumed in an effort to head off a hypothetical postwar depression before it begins. Statements expressing the point

of view inspired by this theory are being made by public officials, representatives of organized labor, and prominent economists. Of these perhaps the most forthright is that of Robert Nathan, a former government economist, and his associates in their report, *A National Wage Policy for 1947,* prepared for the CIO and published December, 1946. According to this report, "the high incomes and accumulated liquid savings of those in the middle and higher income brackets . . . cannot form the basis of continuing prosperity. Long-term prosperity must be based on expanding mass buying power." Among the dangers resulting from the alleged increase in the share of total national income going to profits, they declare, is that "the long-term stability of our economy is being endangered by a shift of income away from the consumption of the masses and toward the savings of the relatively few." Their conclusion is that "unless there is an immediate increase in wages or a sharp drop in prices, we are flirting with collapse."

The clear implication of statements of this kind is that high profits are dangerous to the economy as a whole, because, instead of contributing to "the consumption of the masses," they contribute to "the savings of the relatively few." How much warrant is there for this implication?

It is an economic truism that money saved is ordinarily "spent" as truly as is money laid out for the purchase of goods for consumption. When savings are invested in corporate securities, for example, they are in effect spent for the purchase of industrial plant, equipment, inventories, and other assets.

It seems most unlikely that there is any lag at present in the rate at which profits are being spent. On the contrary, all available evidence points in the opposite direction. Business concerns have been reducing rather than increasing their holdings of liquid assets. Commercial bank loans have been increasing. New securities have been issued in large amounts. Many industries are in need of additional plant and equipment; and the same may well be true of inventories, despite the increases in recent months. All indications point to an active flow of funds into investment channels.

It is possible, of course, for profits to be too high, just as it is possible for them to be too low. The condition to be desired is a balanced relationship among profits, prices, and wages—a relationship that tends to produce high and stabilized production, employment, consumption, and investment over the long term. Just what constitutes such a relationship at any particular time is beyond the wisdom of any individual or group to determine. The only safe verdict in the long run is that rendered by competition in free markets.

As a matter of fact, the current level of profits is not so high in comparison with other forms of income as it is sometimes represented to be. The Conference Board points out that profits in good years have averaged from 7½ to 8½ per cent of national income and that the 1946 profit ratio was approximately in line with this long-term record. In manufacturing, 1946 profits were below the traditional wage-profit relationship. Corporations retained only 5½ cents of each dollar of sales last year, as against 6.9 cents in 1929. Fully $25 billion of corporate savings were lost during the 1930's, and wartime business savings barely sufficed to restore the amount held before the de-

pression. It is true that profits are substantially larger than in the prewar period 1936-39, but it is true also that during that period more than half of all the corporations in the United States operated at a loss and millions of workers were unemployed.

These remarks are not intended as criticisms of the desire of government officials to promote price stability nor of the legitimate aspirations of workers for more pay. They are intended merely to point out that arguments for lower prices or higher wages, insofar as they are based on the fear of high profits, are unwarranted by the facts and reflect a dangerous misconception of the role of profits in a free-enterprise system.

The Guaranty Survey, May, 1947, p. 1:4.

Thirty Unopened Letters

WHEN he was executive vice president of Marshall Field & Company, Hughston McBain instructed that 30 letters from the morning mail be brought, unopened, to his office every day. These letters he went through personally. They were the run of the mail—orders, inquiries, complaints, correspondence with suppliers—a cross-section of the firm's business dealings.

Today, as president of Field's, McBain still has 30 unopened letters brought to his office every morning when he is in Chicago. The routine letters he skims rapidly. But let a patron of the retail store or a wholesale customer register a complaint, and his attention focuses instantly. Or, as happened not long ago, let a letter from a supplier disclose that one of the store's buyers is not living up to company policies in dealing with manufacturers, and the focus turns to fireworks!

"In no other way can I keep the feel of the business with as small an expenditure of time and energy as in going over my 30 letters," McBain testifies.

It is a technique which might be adopted with profit by many another busy executive.

—*Management Briefs* (Rogers & Slade)

Price Cut Publicity

IN 1946, 2,958 leading corporations had combined net income of 6.7 billions, an increase of 27.9 per cent over their 1945 total of 5.2 billions. Return on net worth was 9.5 per cent, against 7.7 per cent. These record earnings have been heavily played up in the daily press, at a time when labor is seeking more wages, many stockholders are exerting pressure for more dividends, customers want lower prices.

Labor unions, stockholders, and customers will not look behind the figures for explanation of this performance in terms of such factors as expanded sales volume to fill war-depleted supply lines, tax reduction (including elimination of excess profits taxes), heavy charge-offs in 1945 of war plants and facilities (which did not occur in 1946), etc. The public knows now that corporate earnings are at their highest precisely when the cost of living has attained a peak for our time. Many people believe the high cost of living is the result of extortionate profits, a belief they consider confirmed by the fact that some corporations did raise prices in the face of mounting profits.

While the public opinion which 1946 earnings records have created is far from favorable, we believe business can retrieve some of the prestige it attained through war production by doing these things:

1. In releasing to the press quarterly earnings during 1947, reduction in net as compared with 1946 should be stressed. Whether or not this is good stockholder relations—as far as stockholders are concerned the figures speak for them-

selves anyway—it is definitely good public relations. Lower earnings, which most presidents expect this year, will tend to demonstrate that the holiday is over.

2. In statements to employees and stockholders respecting 1947 earnings, spell out in simple language the reasons for the decline, thus emphasizing the unusual conditions which made 1946 net possible.

3. Price cuts must be made the *big business news of 1947*. Several corporations are cutting prices on this item or that. Every time you cut a price, however small the cut or few the number of items affected, make a news release out of it, and tell your employees and stockholders about it.

—*Foothotes to Public Relations* (Baldwin and Mermey) 4/47

Let's Look at the Shoe Industry—

CLOSELY related to many other industries, and an important customer of a wide variety of industries in practically every State in our country, the shoe industry affords an excellent example of what modern improved manufacturing methods can accomplish—of how living standards are improved by increased output per man-hour.

In 1946, the American shoe industry turned out 528,860,000 pairs—highest production in our history—and it is now making shoes at the rate of 41,000,000 pairs per month. Back in 1921, the average American purchased 2½ pairs of shoes; in 1946, he bought 3½ pairs.

Since 1900, the number of shoe manufacturers has decreased from 1,599 to about 1,200—a decrease of about 25 per cent. The number of wage earners, however, has increased from 141,000 to 199,600, or about 40 per cent. Wages rose about 600 per cent during the same period, from $58,000,000 to $403,000,000. The value of the total shoe production rose about 500 per cent from $258,000,000 to $1,585,892,000.

—*Management Information* 7/7/47

OFFICE MANAGEMENT...

The Preservation of Business Records

IN MOST companies, the records problem has been neglected because of inertia or failure to recognize the necessity for specific planning. Records are retired to basements, garages, and warehouses, without system, standardization, or planning. This is a costly procedure—an extravagance that can and should be eliminated. While business records serve not only the owners and managers, the economists and statisticians, but also the historians who are concerned with all phases of the American past, records management is not an affair for antiquarians—it is a practical dollars-and-cents matter.

One manufacturer has set up an archives building in Pittsburgh consisting of five floors and 144,000 square feet of floor space. The building has fluorescent lighting throughout, fireproof vaults, large freight elevators,

and a railroad siding, and it is easily accessible by city thoroughfares. The company has installed almost 10,000 lineal feet of steel shelves, and boxes its records in containers of two sizes. This building solves the problem of inadequate space, houses the records in orderly and uniform fashion, and enables the firm to avoid the high rentals paid for office space and makeshift storage arrangements. Schedules have been created for regularized disposition of records. The firm's policy is to destroy the records which do not have permanent value as soon as possible, but never prematurely.

The first step toward efficient records management is a thorough survey of all records of the company to gain an accurate estimate of the total cubic footage, the per cent immediately disposable, the per cent to be kept on a short-run basis, and the per cent to be kept permanently. In many instances, it will be found possible to destroy as much as 80 per cent of the non-current material immediately.

The next step is the establishment of a central depository strategically located in a low-rental area. The archives building for a leading large corporation would probably have to house between 150,000 to 250,000 cubic feet of records. Provision for later expansion should be made if the records survey points to such a future contingency.

Permanently valuable records should be protected against all hazards, especially fire. The permanent records may have any one of a number of values, legal, administrative, technical, statistical, or economic. In general, contracts, deeds, leases, drawings, general ledgers, executive minutes, patents, purchase orders for capital expenses, stock certificates, and tax papers are usually included among the documents kept permanently.

The amount of space required for filing records can sometimes be reduced by as much as 98 per cent by microfilming. Photographic duplication should not be oversubscribed, however. If the records are badly disarranged, the filming cost can easily be doubled. If there is constant interfiling, microcopies become too expensive, Detail is sometimes lost if the original has very fine lines or is blurred. Allowing for these limitations, microfilming records that have a retention period of at least seven to 10 years is practicable. As a rough estimate, the contents of an ordinary four-drawer file cabinet, when filled with records well arranged and of uniform size, can be microfilmed for about $80.

Providing efficient reference service is one of the main responsibilities of the records depository staff. Indeed, the whole records program has "good reference" as its main objective. The archivist and his staff want to make the accumulated experience of the business as accessible as possible.

The management of current records should be related to the work of the depository, so that records from origin to disposal will always be functional. Slow routing systems should be altered, unnecessary carbons eliminated. Duplication of files should be avoided by centralized control. Annual breaks in the files for systematic retirement to the depository should be installed. The ultimate objective of the program is reduction of records to an absolute minimum to gain maximum operating efficiency, and to gain the utmost statistical value with the simplest methods.

By complementing the work of the records depository with a program of

current-records analysis, a tight, synchronized control can be achieved over all paperwork. It is possible to keep the two phases separate and distinct, however, and in many organizations such separation is standard procedure. In the event that this division of function has already been established, it is advisable to set up some sort of liaison so that the two branches of the records administration—current and non-current—will not work at cross purposes.

The staff for such a program would, of course, depend on the size of the organization, its age, rate of record accumulation, its wartime role, legal requirements, and many other factors. Also, the staff will probably be larger for the first few years until the archival program has been settled and the backlog has been absorbed. A group of about 25 persons could staff adequately a depository capable of holding approximately 100,000 cubic feet of records. Whatever the size of the staff ultimately decided upon, it should be built around a few highly trained men with a background in economics, history, and business administration, and with experience in the archival or some related field. Their duties would include preparation of disposal schedules, descriptive lists, legal, administrative, and technical reference service, photographic reproduction, installation of new systems for more efficient office procedure, continuous analysis of space and maintenance costs, preparation of the company history and, where advisable, yearly chronicles and development of material for institutional advertising.

By Irving P. Schiller. *Bulletin of the Business Historical Society, Inc.*, April, 1947, p. 44 : 5.

Incentives for Billing Operators

Of 104 stores recently surveyed on customer billing practices, 21 were found to pay bonuses for production over quota, with penalties for errors. Quota is often based on average past performance plus 10 per cent.

One large Detroit store assigns sufficient accounts to require about 4,000 postings per operator per week. Payment is on a piecework basis. Billers may come to work as early as seven thirty and many go home by two or three o'clock, thus enjoying both financial and nonfinancial incentives. These working conditions attract more mature, dependable billers, many of them married women who are interested in having more time to spend at home in the evening.

—P. A. Lawrence in *N.A.C.A. Bulletin* 7/47

AMA OFFICE MANAGEMENT CONFERENCE

A Conference of the Office Management Division of the American Management Association will be held on Monday and Tuesday, October 20 and 21, 1947, at the Hotel Commodore, New York City.

PERSONNEL...

The Prenegotiation Conference

EXPERIENCE has shown that failures on the part of management and labor to agree occur for many reasons. High on the list is the lack of elementary knowledge of the problems faced by the negotiators on the other side of the table. Lack of understanding by labor and management of the tried and proved practices for peacefully settling their disputes should also be placed near the top. Prenegotiation labor-management conferences offer an unparalleled opportunity for meeting these high-priority needs.

A short time ago, several hundred business representatives and officials of the local unions operating in a major industrial area met together as part of a so-called workers' educational program. In evaluating the reasons why collective bargaining had not worked out more satisfactorily, they agreed that lack of information was of principal importance. One speaker seemed most adequately to sum up the general point of view in saying: "I have been the principal negotiating officer working with the same management of a company for almost 10 years. In all that time, I have never had a meeting with the company except to settle a crisis after firm positions had been taken by both sides. Why does the management refuse to sit down with us at times when no big problems are on the table, and when we could talk things over in general with a view to understanding each other better?"

Such conferences are actually a *sine qua non* of "genuine" collective bargaining. Fears for union security and management security can be dissipated only as understanding and mutual respect are developed by talking the situation over. Differences in positions can be narrowed and the probability of agreement can be materially increased by prenegotiation conferences. At such meetings, moreover, the "factual approach" to problems of mutual interest can be made more easily than after unalterable positions have been taken. To the extent that the parties can agree on the facts of the situation, an understanding at a later time concerning the terms of employment becomes more readily attainable. A modern philosopher has observed that men cannot disagree about a fact; they can only be ignorant of it.

Negotiations for an area-wide labor agreement in a particular industry many years ago ended in a stalemate because the parties simply could not agree about certain basic facts. The wages received by workers under the existing piece rate scale were the subject of wide differences of opinion. The union insisted that certain machine operators received only $18 a week. The employers presented evidence to indicate that these employees earned as much as $30 a week.

A wage investigation quickly showed that both contentions had a measure of support but that neither was based on the complete facts. In one plant earnings were actually as low as $18, pri-

marily because the equipment used was obsolete and inadequately maintained. Wages for employees performing the same operation in another plant did average $30 a week, but this return was based upon a large order which had recently been secured and which permitted steady runs without the numerous machine changes entailed in the more usual short-run operations. The average wages for the operation in all plants in the area, however, were found to be $22 a week. A simple but complete analysis of the facts resulted in an entire reorientation of the negotiation.

As a result of this experience, the parties determined that the first step in their negotiation of every new contract should be a wage survey conducted under impartial supervision. A joint evaluation of the findings of the survey was to be undertaken by the labor and management representatives prior to the formulation of any demands. The resulting prenegotiation conferences afforded both parties a broad opportunity to compare notes on the economics of the industry within which they had to function. There can be no doubt that the prenegotiation procedure was an important part of the "know-how" which was built up in the relationship, and which contributed heavily to the enviable record of agreement-making in the industry.

It is unfortunate when production stoppages occur because labor and management cannot reconcile their differences. It is tragic when strikes and lockouts occur over differences which are not real but which seem to exist simply because the parties are not aware of the actual facts in the case.

The possibility of basing collective bargaining firmly on facts, and thus developing mutual respect and understanding, is closely related to the use of prenegotiation labor-management conferences. They can be conducted to permit an objective examination of matters of mutual interest at a time when neither party is attempting to get something from the other. If joint relations are conducted as a series of tactical maneuvers and as a way of positioning for a conflict, negotiations are endangered from the start, and the chances for peace are small. The wide use of the prenegotiation conference is characteristic of a labor-management relationship dedicated to the peaceful settlement of disputes.

BY GEORGE W. TAYLOR. *The Annals of The American Academy of Political and Social Science,* March, 1947, p. 54:3.

Women's Earnings

AVERAGE (median) annual earnings of women workers in 1945 were $981, according to census data recently released. Only 5 per cent of all women workers earned as much as $2,500 during the year. Average earnings of women in various occupational fields ranged from $339 in domestic service to $1,475 in professional and semi-professional work.

Men's earnings, in contrast, averaged approximately twice women's or more in all occupational groups with data for both sexes, except in clerical work. Men's earnings in all occupations combined averaged $2,073.

While 95 out of 100 women in domestic service earned less than $1,000 in 1945, more than this amount was received by well over half the women operatives and kindred workers (the occupational group that includes most factory production workers).

—*Facts on Women Workers* (Women's Bureau, U. S. Department of Labor) 6/47

Job Rotation for Personnel Workers

THE year-and-a-half-old job rotation plan currently in operation in the industrial relations department of Republic Aviation Corporation, Farmingdale, N. Y., is an outgrowth of efforts to meet that department's constantly shifting work loads without hiring additional personnel. The aim of the plan is to assure a supply of personnel with experience in several phases of industrial relations, who can be shifted from division to division as the need arises. Thus a job analyst may replace an interviewer, the interviewer may relieve a counselor, the counselor becomes a job analyst, and so on. The title of Industrial Relations Representative was created and applied to all personnel on the rotation plan, since the original titles of the rotated jobs did not seem applicable to the temporary incumbents.

No set pattern has been followed in the operation of the plan; thus rotation is never in the same order, nor does it occur at regular time intervals. The company prefers to leave an individual on his new job until he has mastered it—which in some cases takes a year, in others, five months.

To date, job rotation has been confined to the three largest divisions of the industrial relations department: employment, personnel, and job classification. Training, safety, medical, labor relations, and welfare at Republic Aviation are primarily one-man jobs. Thus it is economically unsound to assign them to inexperienced men. To compensate for this, the company holds a weekly study course covering these subjects—virtually an informal "round table" that attacks the problems from the practical viewpoint.

The plan has given the participants an opportunity to gain a broader comprehension of the industrial relations field as well as an intimate knowledge of the problems of every division of the department. It has brought forth many new ideas for improvements in policy and procedure and has enabled the company to meet shifting workloads and, at the same time, cut costs.

—CLAYTON D. RUYLE in *Personnel Digest* 4/5/47

Collective Bargaining and Union Recognition

APPROXIMATELY 14.8 million workers were employed under conditions determined by written collective bargaining agreements in 1946, one million more workers than in 1945. The employees covered by agreement represent 48 per cent of the 31 million engaged in occupations in which unions have been organizing and endeavoring to obtain written agreements. The percentage covered was the same in 1945, but fewer workers—approximately 29 million—were eligible for agreement coverage in that year.

Non-manufacturing industries accounted for much of the increase in employees eligible for agreement coverage. About 7.9 million production workers in manufacturing were covered by union agreements in 1946 (69 per cent of those employed), in contrast to 8 million (67 per cent) a year earlier. In the non-manufacturing industries, 6.9 million workers, or 35 per cent of the potentials, were employed under union agreements.

Approximately 4.8 million workers were covered by closed- and union-shop with preferential hiring provisions in 1946, against 4.25 million in 1945. Union-shop clauses, without preferences in hiring, were specified for almost 2.6 million workers in 1946 and 2 million in 1945. The number of workers covered by maintenance-of-membership decreased from more than 3.9 million in 1945 to 3.6 million in 1946.

Approximately six million workers (41 per cent of all those under union agreements) were covered by some form of checkoff provisions in 1946—an increase of nearly three-quarters of a million over the 1945 total.

—*Monthly Labor Review* 5/47

• IN A RECENT CONFERENCE BOARD SURVEY, 63 out of 168 companies reported that they published a supervisory newsletter. In addition, 69 of the respondents reported having a supervisor's manual.

—*The Journal of Industrial Training* 6/7/47

Industry's Sounding Board

ANY relations program dealing with the public must have as its major premise a genuine realization of the existence of mutual interests; more than that, it must conceive of these interests as being *treated* in a reciprocal fashion. This philosophy is basic in dealing with the employee public.

The employee publication, once looked upon as a plaything, is now being recognized as "industry's sounding board." From a dollar-and-cents point of view, it certainly cannot be considered as a petty cash item. Yearly budgets run to $50,000 per year or more. This expenditure is often difficult to justify since the matter deals with what is generally considered an intangible. In order that such expenditures might be justified, therefore, it is necessary to give serious consideration to objectives, past accomplishments and potential effectiveness. All these things depend on general acceptance and readership.

In an effort to arrive at some reasonable conclusions on this subject, L. E. Finley of the advertising department of the National Cash Register Company, Dayton, Ohio, formulated a six-point reader interest guide which he presented in recent talks before the National Safety Congress and the American Association of Industrial Editors. His six points are:

1. First of all, a person is interested in himself. Regardless of our denials, we all like to see our names and our pictures in print.

2. A person is interested in other people, and his interest in other people diminishes approximately in this order: relatives, friends, acquaintances, people he has seen, people of whom he has heard.

3. A person is interested in anything that affects his way of life, his peace of mind, his safety, his health, his security. He is interested in company policies if if they affect his working conditions or his paycheck. He is interested in health and safety precautions, police and fire protection, and insurance and retirement benefits.

4. A person is interested in events in a field parallel to the one in which he is active: A gardener is interested in the new potatoes his neighbor grows; a suggestion contest winner is interested in other contest winners and their suggestions.

5. A person is interested in learning how to do a thing that he wants to do or that he must do. Men with mechanical aptitudes like to learn how to operate a new type of machine; women are interested in a new cake recipe or instructions for knitting a sweater. Men and women are both interested in finding out how to do an assigned job quicker or easier.

6. A person is interested in anything that appeals to his basic human instincts and emotions. Babies and pets attract attention; humor, tragedy, love, mystery—all appeal to emotions and hence are interesting.

The significance of these factors is brought out by the results of reader interest surveys recently conducted by 40 editors of internal publications.

The following are questions and answers taken from survey replies:

"What would you like to have more of?" asked the *Sohioan,* publication of the Standard Oil Co. of Cleveland,

Ohio. "More about the company's expanding operations," was the reply; "more articles and pictures about Sohioans at work; more photographs of company operations and activities."

In response to the same question readers of *The Victory Circle,* publication of the Perfect Circle Company, Hagerstown, Ind., asked for, "Stories about other employees, straight talks from management, explanation of company's policies, articles about products and their uses."

In the *Young Radiator Company's Employee News,* Racine, Wis., the second most popular feature after pictures, was a story about the product, and the message from the president placed third.

A survey of Procter & Gamble Company's *Moonbeams,* Cincinnati, Ohio, gave top interest ratings to: the safety page, the company's development of new production processes and methods, consumer uses of company products, and company's future plans.

Summarizing the results of employee readership interests, Mr. Finley concludes that "the challenge of acquainting the employee with the company which provides his paycheck; the challenge of informing him where and how the products he helps make are used; the challenge of interpreting management to labor, without double-talk or back-slapping, the challenge of showing employees how their work helps their company to success, and how, in turn, their company's success helps them, points to the job to be done."

In a recent survey conducted by the Calco Chemical Division, American Cyanamid Company in conjunction with the Rutgers University School of Journalism to determine reader interest, Mr. Finley's conclusions were

Summary of Replies:	*% Advise To Use Regularly*	*% Advise To Use Occasionally*	*% Advise To Use Seldom*	*% Advise To Use Never*
Photos of employees	100	0	0	0
News of company operations, products, or services	93	6	1	0
Personal news written by department reporters	88	4	1	7
Sports news	83	15	1	1
Health and safety copy	69	24	7	0
Employee interviews on hobbies, interests, opinions, etc.	50	42	4	4
Humorous cartoon	49	37	10	4
Editorials	43	28	11	18
Recipes, sewing, or other strictly "women's" type of copy	40	18	17	25
Photos of employees' children	38	36	18	8
Jokes	34	24	18	24
"Classified Ad" column	32	12	9	47
"Family Album" type of photos	20	51	18	11
Letters to editor	17	28	27	28
Editorial cartoons	14	39	27	20
"Question and Answer" column	13	38	25	24
Message from president or other high executive of company	11	56	28	5
Articles setting forth the economic, social, or political views of management	10	24	18	48
"Oddities" or "Did you Know" column	9	50	18	23
Book reviews	4	7	25	64
Poetry	3	12	45	40
Short fiction stories	0	9	19	72

strongly substantiated. Of the 235 employees interviewed, 87 per cent answered "yes" to the question, "Would you be interested in reading a series of articles titled 'Know Your Plant'?" Another question dealing with photographs showed sport pictures taking first preference with 64 per cent and plant photos second with 61 per cent. Ninety-seven per cent indicated that they read the *Calco Diamond* regularly; 87 per cent indicated that the paper, distributed from stands each Friday, was taken home. The survey also revealed that the publication had a 40 per cent wife readership and that the reader potential exceeded 12,000. At the time of the survey, the company was employing approximately 4,000 people.

In his own questionnaire to some 80 editors, Mr. Finley asked the question: "From your knowledge of reader likes and dislikes, how would you advise a new editor of an internal employee publication on the use of each of the following, assuming that he has complete freedom in selection of material?" The results are shown on page 415.

True, no survey can provide conclusive evidence; it is, after all, only an indication, merely a sample—but on the other hand most plans and processes are accepted or rejected on the basis of sample testing.

Every indication points up the desire on the part of employees to accept, at least theoretically, their share of the over-all responsibility for their industry's well-being. Working Americans are thinking Americans, a fact we must not forget.

By Frank T. Barnes. *The Public Relations Journal,* June, 1947, p. 18:3.

Information Program

FIVE foremen at the Elgin Watch Company, Elgin, Ill., are members of the Advisory Committee which passes on the subject matter of the company's "Elgin Information Program." Cooperating with the foremen are four members of the Jobmasters' Association, seven members from the Elgin Watch Workers' Executive Board, four members from the International Association of Machinists Shop Committee, four members from the Office Supervisory Personnel.

Chief purpose of the program is to give company employees pertinent facts about the operation of the business through scheduled meetings. Authentic information will be presented by officers of the company and others, so that the employees may be thoroughly advised on the industry, its many manufacturing phases, sales competition, tariff ills, manufacturing costs, distribution of company profits, evolution of watchmaking.

Function of the Advisory Committee is to counsel the program speaker on his selection of information, and to recommend to management the kind of information employees want.

—Management Information 7/47

• IN 1939, a Conference Board survey revealed that 18.7 per cent of the 2,700 companies responding operated a supervisory training program. In a current, incomplete survey which includes 3,200 companies, 1,100 report a supervisory training program—a jump of 34.4 per cent. Though the TWI pattern of short courses dealing with limited subjects and techniques is being followed to some extent, there is a stronger trend toward continuous programs, with regularly scheduled conferences on a weekly, bi-weekly, or monthly basis.

—The Journal of Industrial Training 6/7/47

PRODUCTION MANAGEMENT...

Time Study and Production Standards in Union Contracts

AMONG the wide variety of union contract clauses dealing with time study and production standards, aimed at assuring fair timings and reasonable workloads, are those which: (1) provide for union participation in timing or retiming jobs and in setting new or revised standards; (2) provide for selection of the typical worker to be timed; (3) stipulate that timings shall be held only under "normal" job conditions; (4) prohibit secret or concealed time studies; and (5) spell out in general, or in detail, the time allowances for unexpected difficulties and personal needs which are to be considered in setting the workload.

Union participation with management on an equal basis in the installation and administration of production standards and time studies does not occur except in a few special situations where union representatives have been put on the company's time study staff, or where the union is aiding management in the introduction or over-all modification of an existing incentive plan. In such cases, management may agree (or may be required) to train union personnel in time study techniques and procedures:

> . . . the employer agrees to provide, at its own expense and outside of working hours, classroom instruction courses in its time study procedure, including the plan or method of establishing incentive rates, to six members of the shop grievance committee designated by the union and to pay such members for time spent in attendance at such classroom instruction at their straight-time hourly rates, provided, however, that time spent at such classroom instruction shall not be regarded as "hours worked" in the computation of any overtime payments and that the employer shall not be required to provide such instruction courses more often than once or to more than six of such members in any twenty-four (24) month period.

Advance notification to the union of any contemplated change in established standards is required under some agreements. Some clauses specify the period of advance notice; others do not:

> The company shall retime any job due to change in methods, design, style, or error, and in such cases the company shall notify the department steward the day prior to the day on which the new standard shall become effective.

A further extension of this form of participation is provided through clauses which call for collective bargaining in the determination of new or revised standards.

When the union is not granted the right of advance participation in timing or in the adoption of new workloads, it is generally allowed to appeal the production standards set by management. The regular grievance procedure may be followed, or provision may be made for accelerated grievance machinery. Some agreements specifically rule out arbitration on this issue; others require arbitration:

> The employer may have the right to make routine changes as conditions re-

quire and to introduce new machines, processes, and methods of manufacture. In the event the employer proposes a change in a job assignment in connection with the above and no agreement is reached with the union on the proposed change, there shall be a trial period of four weeks, during which time the employees affected will be paid not less than their average hourly earnings for the preceding three months. At the end of the trial period, if there is still no agreement, the matter shall be determined by arbitration as provided in this agreement. All other changes shall be by mutual agreement or be determined by arbitration as provided in this agreement.

Such clauses may state that the arbitrator must be a technically qualified person. In addition to grievance machinery, joint union-management timing of the disputed standard may be specified. Variations on this procedure provide for union observation of retiming by management, or for retiming by union representatives or a union-paid time study technician. Other agreements require the company to retime jobs at the request of individual employees or the union, but make no provision for union participation in such retiming.

Where the union has agreed not to be a party to the time studies, it may reserve its rights under the contract to bargain on all matters pertaining to the time study:

> The union is not a party to the time studies, but it shall have the right to bargain collectively concerning all matters pertaining to the time studies, including the basic formulas used, the choice of the operator to be timed, the definition of average conditions, and the determining of the leveling factors and other time allowances.

Some agreements state how the typical employee to be timed shall be selected. Union and management often agree to select jointly a mutually acceptable employee. Standards are sometimes determined by timing two workers, one chosen by management, the other by the union. Some clauses, on the other hand, do not provide for direct union participation in selecting the worker to be timed, but merely specify that the worker chosen for timing be a normal or average operator on each job.

Few agreements spell out how normal job conditions shall be approximated during the time study, though some prescribe the conditions under which studies are to be conducted and certain factors to be taken into account. The usual clause on this point is a statement or company pledge of fairness, and a declaration that the nature of equipment used, plant efficiency, and expected quality of workmanship will be taken into consideration during time studies.

Some agreements specify allowances to be made during time study for such factors as lost time beyond the worker's control, though few systematically list such factors. Some agreements specify the precise amount and type of allowance to be made; others merely state generally that allowance shall be made for such factors.

Some contract clauses call for union observation of all time studies, while others specifically prohibit secret time studies or require that workers or the union are to be notified when a job is to be timed. Recognizing that lack of information and understanding contribute to conflict over incentive rates and time studies, employers have occasionally made available time study data for union and employee examination:

> The company agrees to continue to make time-study cards available for inspection by the employees involved or their authorized union representatives after the rate has been calculated.

A full explanation of any standard times will be made by the management to the employee or the proper union representative in cases of disputed time studies, so that there will be a mutual understanding of the facts and data that were used in determining such standard times.

Some machinery and conveyor belts operate at fixed speed and require a minimum number of workmen to operate them. However, an insufficient number of workers attending such operations may result in a speed-up and endanger the workers' safety. Some clauses, accordingly, stipulate the size and composition of crews required for various operations covered by the agreement, as well as the amount of work required of any given crew.

Protection to management in connection with timing is sometimes provided through clauses pledging honest effort by workers while a time study is being made. Occasionally clauses prohibit any interference by the union during a time study. Some agreements stipulate union assurance to management that reasonable production standards will be maintained. This may take the form of a general prohibition against limitation of production or a statement that union members will perform a full day's work. In some agreements, these assurances are supplemented by provision for discipline or discharge of employees who wilfully restrict production or consistently fail to meet production standards. In rare instances, the union may pledge its members to meet established production standards in return for a union shop.

From *Time Studies and Standards of Production* (preliminary draft of a chapter for a revised edition of *Bulletin 686*). Industrial Relations Branch, Bureau of Labor Statistics, U. S. Department of Labor, Washington, D. C., 1947. 28 pages.

"Gunning" for Waste

SUPERVISORS at the Sonoco Products Company, Hartsville, S. C., enlist the help of all employees in "gunning" for waste.

At a recent conference, the Pilot Group of the Foremanship Series discussed possible kinds of waste in the plant—time, material, equipment, power, light, heat, water, air, gas, and steam. They worked out the following specific ways employees can help prevent waste:

1. Employees can check whether they: (a) start job promptly and work until shift is through; (b) take less time for smoking; (c) make out with materials on hand whenever possible, rather than request additional material; (d) handle material carefully to prevent damage; (e) do not overload equipment; (f) see that equipment is properly lubricated; (g) call foreman's attention to required repairs; (h) turn off outside lights during daytime; (i) report leaks; (j) re-use water or heat when possible; (k) cut off electric motors not in use.
2. Employees look around working area. They see if these or other waste-saving methods can be put into effect, and do so at once.

—*Management Information* 7/47

• WOMEN'S AVERAGE WEEKLY EARNINGS for 25 selected manufacturing industries, as reported by the Conference Board, were $37.33 in January, 1947, $38.04 in February, and $37.90 in March. Women's average hourly earnings for the same months were 95.4 cents, 97.1 cents, and 97.7 cents.

—*Facts on Women Workers* (Women's Bureau, U. S. Department of Labor) 6/47

A Check List for Controlling Costs

1. Are you certain that you have an accounting system which gives you all the facts?

2. Having the facts, do you use them? Do you dissect them, analyze them, draw conclusions? On the basis of your conclusions, do you take steps to hold your prime costs in line, as well as factory overhead and general overhead?

3. Do you trim all frills off your accounting system? Don't compile and collect reports and statistics for your archives, but hold system down to essentials or you'll wind up working for a bookkeeping system.

4. Do you plan your operations, then schedule them, then keep up with your schedules?

5. Do you see how the other fellow is doing cost-wise?

6. Do you keep purchasing on its toes at all times? If feasible maintain an independent check on this department to see that it does not get into a rut, or favor friends and brothers-in-law.

7. Based on order backlog and estimated potential, do you plan production accordingly and schedule material requirements to meet demands of the planned production, then make your commitments?

8. Do you establish definite routine on all purchasing? Do you maintain efficient follow-up with vendors?

9. Are you always complete and specific in placing orders? For instance, don't loosely use the term "f.o.b." and let it go at that. F.o.b. what? Railroad car, truck, lighter, steamer? F.o.b. where?

10. Have you a clear-cut receiving procedure, to check quantities and, at least superficially, qualities, followed by a detailed, signed Receiving Report?

11. Have you organized a central Stores Department, with full responsibility and accountability for all stores? Does that department check in all materials from the Receiving Department, verify the Receiving Report and make appropriate entries on perpetual inventory records?

12. Do you issue materials from Stores only against authorized requisitions?

13. Do you sort requisitions by departments each day and summarize departmental daily material cost?

14. At periodic intervals do you compare these actual material costs with your budgeted estimates and trace any differences until you are satisfied that they are reasonably explained?

15. Do you plan and schedule labor requirements by man-hours (related to planned output) and have Personnel Department take steps necessary to secure needed manpower?

16. Do you establish simple but equitable incentives to get maximum effort?

17. Do you observe safety rules and regulations—and go them one better?

18. Do you experiment with rest periods and other fatigue-fighting devices? You'll probably conclude that it pays to adopt them.

19. Do you have work cards or tickets to indicate time spent daily by employee for each operation? These should also show unit output.

20. Do you summarize the daily work cards to determine departmental labor cost? Do you check against budget estimates and determine causes for differences, if any?

21. Do your department heads share in factory overhead savings, after a standard has been determined? This is insurance against waste.

22. Do you review your overhead status from time to time, item by item? You'll very likely find cost and expense items that you can dispense with.

23. Do you observe the ratio of your industry, for overhead to, for instance, direct labor costs? If yours exceeds the average, watch out. And do something about it!

24. Do you give departmental operating facts and figures freely to your supervisory personnel? If you want them to work with you intelligently, you must give them all the facts pertaining to their respective departments.

25. Do you maintain liberal reward system for useful suggestions as to shortcuts, improvements, and time savers?

—*Mill & Factory* 5/47

Trends in Plant Design and Construction

TODAY'S new industrial plant buildings develop to the maximum two wartime trends. They are designed: (1) to capitalize fully on the intangibles of employee and public relations, and to utilize the production abilities of workers at a higher level than before; and (2) to increase productivity through their adaptability to production requirements.

The industrial plant building has become an integral part of modern manufacturing processes and as such should be as up-to-date as the company's product. But high labor costs and material prices make economic considerations, in both construction and operation, the first problem for architects and engineers in the industrial building field. And, despite wartime publicity, new materials and new design principles have not been widely introduced. What is available, rather than what is being talked of, still dominates construction specifications. Architects and engineers expect, however, that new ideas will become increasingly important.

The tendency today is to decentralize, erecting two or more smaller plants at separate localities. In decentralized plants, definite limits are imposed on expansion, but not on the flexibility within each unit.

To make employees "feel at home" while working, shower rooms are becoming more spacious; smoking rooms are provided at convenient points; conditioned air in locker rooms and ventilated lockers are widely accepted design features. Large-vision panels to bring an outdoor panorama to the inside of the plant are being incorporated even in glass-brick walls. Newly developed color codes guide painting to increase the safety, restfulness, and worker efficiency in many production areas.

One interesting trend, probably emphasized by 1946's strikes and shortages, is noted by Rust Engineering Co., Pittsburgh, Pa. Manufacturers are demanding "surge capacity units." To avoid interruptions in production, some executives are asking more storage space for each important item that comes into the plant. This space is planned to tide them over delays caused at the supply source or along the route and delays from shutdowns within the plant. Additional capacity is added also at critical points along the production line itself.

A new feature found in many plants is the installation of germicidal lamps in cafeterias, kitchens, locker rooms, and traffic points to combat common colds and other air-borne bacteria.

Recreational facilities are frequently coordinated with community facilities today. Cost considerations and the return of peacetime recreation curtailed during the war make it important to consider the extent employees will use game rooms, baseball fields, and other recreational equipment before space is allocated to them. Most new plants provide in-plant food service facilities as a matter of course.

The many-sided improvements in factory design are reflected in trim, clean-cut exteriors. Designs take advantage of the opportunity to attract manpower and improve community relations by combining the simplest possible construction materials in a way that

produces character and dignity with economy. Sites are selected to allow buildings to be set well back from the street. Lawns and landscaping are used to inspire pride not only among workers but also in the whole community.

Trends in structural design continue to emphasize increasing productivity. Gaining broader acceptance is the tendency to make a larger capital investment in plant or in facilities that will in the long run lower production and maintenance costs.

Glazed or colored ceramic tile walls, terrazzo floors, and elimination of dust-catching ledges or corners are extensively used features. Individual machinery supports and platforms are being studied to simplify factory interiors.

Overhead bus ducts for electrical services, grid systems from which steam may be taken at almost any point on the floor, and fluorescent lighting fixtures hung from messenger wires and providing high-intensity well-distributed light are widely used.

Shortages in the supply of many traditional materials have led to exceptionally broad use of asbestos cement in sidewalls, and other specific materials. New materials have been introduced, but few have had the wide acceptance of glass fiber roofing. New plastic, glass, and metal products, many of which are still in the development stage, are certain to figure prominently in the design of special building features and in some building equipment.

The basic load-bearing materials most widely used are still structural steel, wood, reinforced concrete, brick, and their variations, according to one engineering firm. Wood is fast losing out to the other three, however, because of its scarcity and high cost. A greater use of metals is expected, particularly corrosion-resisting metals, when they become fully available.

These trends in materials are shown in the replacement of laminated wood arches and trusses with steel and concrete. Fireproofing of structural members is being given increasing emphasis, and this, too, means replacement of wood in many cases. In light roofs, for instance, long-span, lightweight slabs of gypsum or concrete are replacing wood plank.

Industry's awareness of community values, if nothing else, will be a strong argument against putting plants underground. It may become necessary, from the military viewpoint, to build certain strategic plants into sidehills or the sub-soil, but underground plants will lose their capacity as good-will builders.

Factory Management and Maintenance, April, 1947, p. B-43:3.

Thriftier Tools

A MINOR revolution is afoot in the machine tool industry. It's primary aim is to perk up the sagging business of machine tool men, but in time it seems destined to bring the consuming public cheaper automobiles, cheaper radios, cheaper lawn mowers.

Machine tools are the "hands" of the mechanical age. They whack out the wheels, the rods, the bearings, the countless steel pieces that enter all metals products. A fast tool means low

cost; a faster tool means lower cost. And the trend from fast to faster is the essence of this revolution.

Some 1.5 million machine tools plug away at making things in U. S. factories today. And more than half those tools, say the men who create them, are outmoded.

There are harsh figures to show how the customers are passing up today's machine tools—waiting for newer and faster ones. The machine tool industry's orders for new machines in April last year topped $32 million. In April this year new orders had skidded to just over $18 million. Another big factor has been cut-price sales of surplus government-owned tools.

But machine tool makers haven't been caught asleep. They kept their engineers and designers busy at drawing boards during the war. Ideas gained then are now being translated into new machines—machines which, they hope, will turn their sales charts upward again. Reports of revolutionary new equipment come from tool makers everywhere, though many aren't ready yet to reveal details.

One company has developed a machine that will grind cast iron gear cases six times as fast as they are being ground at present. Another manufacturer has a threading machine (operated by one man) which whips out the work formerly done by two machines and two operators.

Electronic controls of machine tools are making possible greater precision on finished products; they are cutting worker fatigue by trimming manual operations, and are slashing the need for operating skill. But their biggest advantages are the wide automatic variations in speed which they provide, the cutting of production time, and consequent boosting of output.

Introduction of carbide-tipped cutting tools (the devices that do the actual cutting) on machines, opens broad possibilities for speedier metal-cutting. These hard mechanical teeth are largely replacing the carbon and high-speed steels which themselves staged a revolution in the industry in the early 1900's.

At the cutting edge of such tools is an inlay made of a combination of tungsten and carbon with other metallic elements, such as cobalt, titanium, and tantalum, which are hardened by a heat and pressure process. The result, simply called carbide in the trade, is the hardest metal made by man. Its hardness approaches that of the diamond. Carbide-tipped tools can be ground and resharpened just as steel tools are, but their wear resistance is greater. Their ability to "stand the gaff" in taking big bites of metal is making them particularly useful on turning machines, or lathes, and on planer and milling machines.

The New Britain Machine Company, New Britain, Conn., is designing all its new equipment in anticipation of the general use of carbide tools, according to a company official. Other builders are taking similar steps.

In the planer field, carbide tools have stepped up cutting speeds from a maximum of about 50 feet a minute to more than 200 feet a minute.

The Warner & Swasey Company, which uses carbide tools on its new electro-cycle turning machine, reports that production has been hiked as much as 200 per cent in brass product shops where the machine is used. The New Britain Machine Company says one of its new tools for high speed brass and

aluminum jobs is turning out pieces in two seconds which formerly required 12 to 15 seconds.

Carbide tools' bigger bite and speed capacities are also working changes in machine design. Heavier, more rigid bodies and more powerful drive motors are needed to produce the speed and withstand the vibration resulting from the deeper cuts in the metal. The mass weight of New Britain's machines, for instance, has increased about 40 per cent. Electric motors for some models have been stepped up from 10 to as much as 40 horsepower.

The machine tool industry has seen its backlog of unfilled orders, which were above $180 million in April last year, shrink to around $127 million. Unevenly divided among 180-odd companies in the industry, that backlog is sufficient to keep some builders busy for as much as six months ahead. For others, it's already spelling outside contract work to hold their working forces intact.

New machine-tool business this year is pointing to a total of about $225 million. Prewar a $200-million year was a rarity. But machine tool prices now are up about 40 per cent from prewar, which indicates a 1947 physical volume somewhat less than a top-notch prewar year. The industry's business last year amounted to about $330 million. In 1942, the wartime peak, it totaled $1,320 million.

By Clayton R. Sutton. *The Wall Street Journal,* June 19, 1947, p. 1:2.

Are Your Plant Floors Profit-Snatchers?

OLD, damaged floors mean skyrocketing maintenance costs and snail-paced production. Plant layout, safety, and materials handling, noise, lighting, and damage to products—all are affected by floor type and condition.

Experts agree that floor installation is one job on which it never pays to cut corners. The premium for top-quality concrete is about 15 cents or 20 cents a square foot. Trying to save those pennies may cost 10 times as much in the end.

According to the Portland Cement Association, any plant can have a high-quality concrete floor by following simple rules like these:

1. Use a coarse aggregate for the top layer (pea-size rock). This makes the wearing surface hard stone, rather than relatively fine sand and cement, and greatly prolongs floor life.
2. Work the surface after it's placed—preferably with a mechanical float—but don't work it so much that the aggregate is forced down into the mix.
3. Cure the concrete properly—and for a long enough period.
4. When the floor has set, and before it's used, apply hardening compounds (sodium silicate, fluosilicate, or other chemicals which harden the surface and prevent "dusting").
5. Don't try to use the floor too soon.

The following points will help you take care of the floors you have:

1. Has a regular cleaning and repair program been set up, and is the necessary equipment available?
2. In making repairs, do maintenance men take the time to follow patching instructions?
3. Where abrasion or impact conditions are really rough, is floor surface protected?
4. Are rubber-tired trucks used throughout plant?
5. Are load limits carefully determined, clearly marked?

6. If floors must be painted, are adequate precautions taken to prevent blistering?

And if you are planning your floors of the future, the check list that follows should help you:

1. Have all openings in the floor been planned in advance so that, particularly in concrete, floor won't be weakened by extra holes drilled to accommodate new machines or pipes?
2. Have materials-handling and storage problems been studied, and load limits considered in relation to possible future operations as well as present ones?
3. Have chemical conditions been considered?
4. Have safety hazards been canvassed?
5. Has color been planned in advance?

New concrete floors shouldn't be painted until they've been down several months; old floors need a neutralizing treatment before painting.

Built-in color (color added to concrete mix, or to floor coverings) won't flake or chip, costs nothing to maintain. Light-colored floors, though they may get dirty, improve seeing conditions. Don't make them white, though. A light gray looks clean, is very satisfactory.

—*Modern Industry 7/47*

Safety "Do's" for Machine Operators

IT'S "do" instead of the customary "do not" at Lyon Metal Products, Inc., Aurora, Ill. The following safety rules, protected by cellophane and framed in an orange metal holder, are displayed on each machine in the plant:

1. Do be careful of your hands and fingers. Keep them away from punch and die while flywheel is in motion.
2. Do watch your hands when you change or add more punches to a breaking die. Reaching through the machine to set gages is "bad medicine."
3. Do keep head up when lowering machine—standing in front of bar can mean trouble.
4. Do pull a press down from the back—pulling it forward is dangerous.
5. Do use a tool or stick for placing work in die—fingers are too valuable.
6. Do watch what you are doing in operating your own press. Star-gazing is unhealthy.
7. Do wear goggles when working on grinder, emery wheel, or spot welder.
8. Do wipe up oil on floor before you or someone else slips and falls.
9. Do keep aisles clear—concrete floors make hard falls.
10. Do use a lead hammer on a die. Flying splinters are dangerous from a regular hammer.
11. Do protect your eyes by refusing to use battered chisels.
12. Do report unsafe tools or equipment to your foreman. Do your part to protect priceless fingers, hands, and eyes. Substitutes are not so good.

—*Factory Management and Maintenance 6/47*

•C.I.O. WORKERS at the Pratt & Whitney division of the Niles-Bement-Pond Company, Hartford, Conn.—where a wage dispute a year ago caused a 20-week strike—dropped demands for a 15 cents an hour wage increase when the management opened the company's books for union examination. The company, in turn, granted six paid holidays—estimated as equivalent to a general wage increase of three cents an hour. Management's action in opening the books was described by union officials as a "big step forward" in management-labor relations.

—*The Wall Street Journal 7/1/47*

Incentives Work in the Toolroom Too

A TOOLROOM incentive plan, operated successfully by the S. S. White Dental Manufacturing Company, has not only raised the level of wages and productivity but has also been a valuable aid in scheduling and production control of tools and machines and in estimation of standard costs.

The plan was set up on the basis of units of work, a unit being the normal output of one man in one minute. Normal production would then be 60 units per hour, with a premium paid for output exceeding the normal in any daily period. Before the plan was put into effect, standard data sheets covering practically all toolroom operations were assembled from time studies of toolmakers working on actual jobs and from results of operations on trial pieces. Developing the data sheets, approximately 50 in number, required practically the full time of two men for one year.

The standards cover all types of machining, layout, and handling operations encountered in toolroom work. Among these are standards for all kinds of machine tools used in the toolroom, for operations such as laying out and centerpunching holes, and for handling values of work into and out of machines. Handling standards for a milling-machine operation, for example, would include unit allowances for brushing out the vise, collet or chuck, for loading, running the table in and out after the cut, and unloading the work. If another cut were to be made, an additional allowance, in this case 0.55 unit, would be given for setting the table to position by using the graduated dials.

Even for operations as simple and quick as indexing a dividing head, standards have been established. Indexing one-sixth turn is allowed 0.13 unit, one-quarter turn 0.17 unit and one-half turn 0.21 unit.

Assembly operations, being varied, have not been set up in standard data sheets, but they are given unit allowances equal to 10 per cent of the standard time for the related machine work. While this allowance is arbitrary, experience has shown it to be reasonable, even allowing a contingency for unexpected difficulties. Unusual conditions are given special consideration.

As some tool maintenance is always necessary for any job, standards have been given a 5 to 7 per cent allowance to cover it. Likewise, an allowance for oiling and cleaning of machines has been added to setup and tear-down standard times.

One requisite of a successful incentive plan on toolroom work is a capable toolmaker trained to apply standard times on operations he lays out for each job, because only a person who knows how to make the tools can do the layout. Setting of standard times is not automatic as in production work, because toolroom jobs are not nearly so repetitive.

Except for occasional recurring jobs, practically every job may be considered individual, requiring it to be laid out in detail in separate operations, each of which is then timed from the data sheets. One standards man can lay out operations and set standard times for 15 to 20 toolmakers on new work, and for up to 30 when a large proportion is on repetitive work.

In applying the standards, a work sheet is made up, showing all necessary operations, timed from the standard

data sheets. On the work sheet, setup and standard times are indicated separately to facilitate establishing times when more than one unit is to be produced.

Available data sheets cover nearly all operations. For the occasional nonstandard operation, an estimate is made only if it is a small part of the total time. When an unusual job in the form of engineering or development work has many operations for which no standard times have been set, the job is not put on standards but treated as day work and paid at day rate.

Ordinarily about 90 per cent of our toolroom work is on standard, with an occasional week of 100 per cent. At present, development and experimental work has brought it down to approximately 70 per cent.

Base rate for our toolmakers is kept as close as is practical to the area rate. But over and above the base rate, the incentive pay has been averaging approximately 35 per cent more.

Even with the increased pay to the toolmakers, however, the company has benefited by getting the work done more quickly and economically. The following comparisons on some repetitive jobs show clearly the possibilities for improvement with the application of standard times:

To make 12 taps required, before the incentive plan was installed, 1,626 minutes at a working rate of 36 units per hour, as compared to standard time of 978 units.

Grinding angles on 150 15° turning tools required, before incentive, 1,602 minutes at a working rate of 18 units per hour, as compared to standard time of 476 units.

To make 24 0.255-in. mandrels required, before incentive, 1,008 min. at a working rate of 27 units per hour, as compared to standard time of 458 units.

Records show that a total of 134 jobs before incentive required 421,988 minutes. Compared to total standard times of 181,782 units, computed at a normal rate of 60 units per hour, past performance of the toolmakers for this group of jobs was 25.8 units per hour.

These conditions have been corrected. The men are producing at 80 to 90 units per hour with direct benefit to themselves, and the company can tool new and recurring jobs with less overhead and capital expenditure.

By E. H. Heywood. *American Machinist,* April 24, 1947, p. 106:3.

Putting New Machines Through Their Paces

TO BE sure the machines it makes will meet customers' requirements, Buflovak Equipment Division, Blaw-Knox Co., Buffalo, N. Y., uses both laboratory and full-scale models to preview performance. Important points in the tests are choice of proper-sized equipment, flexible arrangement, complete measurement and control on trial setups.

Other suggestions: Run tests long enough to give machines a real workout, uncover every weak spot. Make sure that operators are thoroughly familiar with actual production problems, so they won't "baby" new units.

When is a production preview needed? E. S. Bissell, vice-president, Mixing Equipment Co., Rochester, N. Y., has a good rule-of-thumb: Ask yourself, "Can any one person or organization guarantee the successful, immediate operation of a full-scale plant without it?"

—Modern Industry 6/15/47

MARKETING MANAGEMENT...

Grass Roots and Greater Profits—A Community Approach

ONE key to increased profits is to cut the cost of distribution and to make your sales dollar and advertising dollar more productive. One way to make these dollars more productive is to get down to grass roots, to analyze the sharp differences in market potentials that exist between the major geographical regions of the United States, between the 48 states, and between individual cities.

Because of the difficulty of ascertaining who buys at retail, *some* sales pressure and *much* advertising pressure is applied in the wrong places. Advertising pressure is too often applied either on the basis of population or on the basis of *wholesale* instead of *retail* purchases. Even a population basis *can* be wasteful. For 1,000 people in one market may be buying twice as much of a given product as 1,000 people in another market.

To make your advertising dollar most productive, you need to buy not merely circulation or audience but retail customers. You need to study consumption instead of shipments, to look at individual markets through a microscope instead of looking at the entire country through a telescope.

Admittedly, much information on consumption is general in nature. To apply it, you will need painstaking analysis, horse sense, and courage. But, as evidence that it's worth the physical and mental sweat required, consider these eight "Cinderella" markets: Worcester, Waterbury, Erie, Washington, Canton, Ft. Wayne, San Diego, Trenton. These communities are fine retail markets but not such important wholesale markets. Consequently, they don't loom too large on many shipment sheets. Yet look at their three major consumption indices: total retail sales—$857,064,000; total food sales—$198,433,000; total drug sales—$39,870,000.

Together, these eight cities have greater total retail sales than any one of 35 out of the 48 states. Total retail sales in these markets are nearly two and three-quarters times as great per 1,000 population as they are in three states. Which territory would be cheaper to cover—one with 276 square miles or one with 229,635 square miles?

For each of these eight cities, there are literally *scores* of other "Cinderella" markets. They'll well repay the man-hours spent in discovering them. They'll well repay the dollars spent in cultivating them.

Nor should we forget the other side of the picture. It's profitable to re-appraise your "pouter-pigeon" markets—those communities where wholesale sales exceed retail sales by a wide margin. While these markets show up well on a manufacturer's shipment sheets, wholesale sales in a given community are not necessarily an accurate index of consumption there. Here's an example—extreme but actual: Market X has wholesale sales of $475,454,000; but its retail sales are only $172,904,000. In other words, wholesale sales are about two and three-quarters times as great as

retail sales. Obviously, a big slice of the goods bought at wholesale in Market X are reshipped to points outside. This does not mean, however, that Market X is a poor consumption market. It happens to be an excellent one.

Appraise both your "Cinderella" and "pouter-pigeon" markets in terms of local consumption. Once you gauge the importance of any community—whether large or small—from the standpoint of local consumption, you can apply your sales and advertising dollars more nearly in proportion to potential.

Following are a few ways of exploiting that lack of uniformity:

1. *Differences in Climate.* Only 25 states have a mean January temperature of 32° or lower. A manufacturer of anti-freeze solution will not find his sales and advertising dollars spent in the 23 other states as productive as they would be if concentrated in these 25 states.

2. *Differences in City Size.* It is estimated that roughly twice as much home baking is done per 1,000 families in places of 50,000 and under than in larger centers. Manufacturers of baking ingredients, then, should find it profitable to get as nearly 100 per cent coverage as possible of families in places under 50,000 and to advertise more intensively to those families.

3. *Differences in Income Levels.* If you are selling a de luxe product, for example, a $1,000 radio, and you find that 55 counties account for 50 per cent of all income tax returns, couldn't you think up some good arguments for putting 50 per cent of your sales and advertising dollars into those 55 counties?

The so-called national market is, in reality, merely the sum total of many, many local markets. It all sums up to the fact that all business is local.

Remember one thing: Getting down to grass roots isn't easy. It means taking the country apart, not only region by region and state by state, but also county by county, city by city. It may even mean local advertising managers to determine the most effective local media—the most productive local copy appeals. In any event, it will mean work—hard work.

BY ALFRED B. STANFORD. *The Advertiser's Digest,* April, 1947, p. 1:4 (condensed from an address before the Kansas City Advertising Club).

Sales Manager's Creed Sets Basic Employment Standards

RECOGNIZING that sales executives have as great a stake in the maintenance of good labor relations as any other managerial group, the National Federation of Sales Executives recently formulated and adopted a creed of employment standards for salesmen, and is now compaigning to persuade every employer of salesmen to subscribe to the creed. A committee, representing a cross-section of sales managers from every important distributive field and geographical area in the United States, first made an intensive analysis of the problems involved in salesmen's employment standards. On the basis of their findings the following creed was developed:

I. All salesmen shall receive fair compensation during their initial or subsequent training periods.

II. While changes in compensation or territory are recognized to be functions of sales management, salesmen shall be consulted prior to establishing such changes and given reasonable notice of the effective date.

III. Earnings of commission or bonus salesmen shall be unlimited, unless

otherwise specified at the time of their employment. Should basic changes in a business justify modifying this policy, all salesmen affected shall be advised of the fact a reasonable time prior to establishing such ceilings as become necessary.

IV. When evaluating the ability of salesmen, conditions beyond their control, such as differences in the sales potentials of their territories, shall be given full consideration.

V. Salesman shall be offered the same vacation, job or income security, and other employee benefits as are enjoyed by other employees in comparable positions in the same company.

VI. The only "house" or "no commission" accounts shall be those clearly defined in advance of solicitation.

VII. The paperwork required of salesmen shall be held down to a minimum and its value clearly justified.

VIII. Salesmen's expense reimbursement policies shall be uniform, after taking all variations of conditions into consideration.

IX. A sharp distinction shall be drawn between salesmen's earnings and expense allowance, and any system which affords salesmen either a substantial profit or loss on expense accounts shall be corrected.

X. Salesmen shall be given either a contract, agreement, or letter covering those conditions of his employment which might otherwise be the basis for later misunderstandings.

XI. If quotas are used—(a) salesmen should know how their figures have been determined, and (b) the quotas shall be based on reliable seasoned personal evaluation of accurate and adequate criteria.

XII. A salesman whose health or well-being gives evidence of being prejudiced by the nervous tensions involved in his work, shall be given such relief as may be possible.

XIII. Pressure to achieve results shall be of a constructive nature avoiding the use of "fear" psychology or threatened loss of employment.

XIV. No matter where a salesman may be located, he shall be provided with a simple means of stating his grievances, which shall be promptly considered and answered.

"Mechanical Clerks"

ROBOT clerks, without uttering a word, will sell Americans more than a half-billion dollars worth of products this year. Some enthusiastic retailers envisage gross annual sales of $3 billion through coin machines within the next few years.

Versatile vending machines are being designed to disgorge, at the clink of a coin, items ranging from books to bottled beer, salads to sun glasses, fertilizers to fresh fish, phonograph records to fuel for outdoor fireplaces. Already machines are in operation which for a small sum will eject an electronically-cooked hot dog or toasted-cheese-on-a-bun, refrigerated apples or hot coffee with and without cream and sugar.

The vending machine trade classifies its silent salesmen into four main groups: bulk, package, liquid, and service vendors. Bulk machines, designed to attract the penny trade, dispense small portions of candy, chewing gum, or nuts. Package vendors provide, for instance, cigarettes, candy bars, ice, wood, frozen foods, sandwiches, popcorn. Liquid machines serve milk, soft drinks, and fruit juices, while service vendors include laundry machines, scales, and shoe-shining machines.

Prewar prices on coin machines ranged from $3 for one penny vendor to $900 or more for a soft drink dispenser. Current prices are somewhat higher.

The National Automatic Merchandising Association estimates the country now has about 2.5 million merchandise-vending machines worth about $100 million.

—*The Wall Street Journal 6/5/47*

Seven Rules for Direct-Mail Success

INDUSTRY appropriates hundreds of millions of dollars annually for direct-mail advertising. Little of this, however, is spent wisely and efficiently. If you think we're exaggerating, analyze the mail you receive at home and in your office for the next few days. Do it carefully, and you'll be amazed at the large number of pieces that reveal complete lack of know-how on the part of those who prepared them. You'll even find that the size of the company represented by the mailing piece makes little difference. Large organizations are just as guilty as small ones.

Direct mail that will get results isn't easy to prepare. Following are several general rules, however, which must be observed before any direct-mail campaign can succeed:

RULE 1: ***Know exactly what you want your mailing to do for you.***

What are you trying to accomplish? Do you want an order? An inquiry? A chance to have one of your salesmen call? Are you trying to open a new territory, introduce a new product, or announce a new use for an old one? Or do you merely want to do a good-will or so-called institutional job? It may sound ridiculous, but it's surprising how many pieces of mail keep their objective so well hidden that not even a Philo Vance or Nero Wolfe could find a single clue. Decide what your objective is; then keep that objective in front of you, even if you have to have it written out in letters a foot high!

RULE 2: ***Address each mailing piece (correctly) to an individual or company who can buy the product or service you have to sell.***

There is no doubt that the list is the absolute foundation of successful direct mail. Most mailing lists, however, contain three or four suspects for every prospect. You can and *must* build a list of actual prospects, if your direct mail is to succeed.

RULE 3: ***Write your copy so that the recipient will know what your product or service will do for him!***

Have you appealed to his or her selfish instincts, or have you used all your white space talking about yourself, your president, your beautiful new factory? Have you made your copy human and easy to read? Have you given all the information your prospect needs to make him take the action you desire? Don't be taken in by today's fad of cutting out extra words. Good short copy is much harder to produce than good long copy; and very few, even among the experts, can eliminate words without eliminating potential orders and inquiries.

RULE 4: ***Make the layout and format of your mailing tie in with your over-all plan and objective.***

Have you used black-and-white when four-color printing is indicated? Have you used a typewritten letter when mimeographing would fit the picture better? Would you read a similar mailing if you received it? Many a potential success has been turned into dismal failure because someone forgot appearance is an important part of the picture. The appearance of your mailing must be in keeping with the over-all job you're trying to do.

RULE 5: ***Make it easy for your***

prospect to send you an order or an inquiry.

Have you included in your mailing an order form and reply card or envelope? Or in case you're not looking for direct business, have you listed the places where your product is available? Finally, have you taken all the guesswork out of the problem of buying what you have to sell, no matter where or how it's sold? We've never heard of a successful direct-mail effort that didn't include some simple device for getting the order back to the mailer, yet in the past week we've received three mailings from reputable companies—with two omitting the necessary order blank, and the third asking us to telephone for an appointment but giving no phone number.

RULE 6: ***Test every mailing you make.***

Never take anything for granted in direct-mail advertising or selling. Don't even trust your own experience. What happened in the past is only a guidepost to the right road; it is not the road itself. Times and results change. What worked last year may not work today. What sold to one list may not sell to another. A combination of a letter, circular, and reply card may have produced results last month, but there's always the possibility you'll do better without the circular this month. Blue envelopes might have been the right ones in January, but find out about pink and white in June. Test everything—ideas that seem sure to fail as well as ones that are bound to succeed. You'll find out, just as every successful user of the mails has, that you *never* can tell what's going to happen until all the results are in!

RULE 7: ***Tell your story over again.***

Few salesmen make a sale on their first call; even the best of them call back many, many times before turning a prospect into a customer. It isn't reasonable to expect a single mailing to produce a large return. While there *are* many cases where one mailing not only paid its own way but made a large profit, for every *one shot* that succeeds there are a least 10 that don't show results until the third, fourth, or even tenth mailing. Someone once listed the 10 commandments of advertising as: (1) Repetition; (2) Repetition; (3) Repetition—and so on for the whole 10. Then there's the famous cartoon of the cats on the fence with the caption, "If you want to get results, you have to make calls." If your objective is sound and your list is good, you'll get more business from a planned series of mailings than from a single shot.

By EDWARD N. MAYER, JR. *Printer's Ink*, May, 1947, p. 38:2.

• RESULTS OF A RECENT SURVEY sound a warning to advertisers to keep external house magazines from becoming too bulky. Only 15 per cent of the executives interviewed by Edward Stern & Company like more than 24 pages. Further, 73 per cent prefer magazines containing 8 to 24 pages. Other sizes lose popularity quickly, especially as the number of pages increases.

—*Tide* 6/20/47

What Happens to Your Direct Mail?

THE private secretaries to 207 executives of national advertisers and their advertising agencies were interviewed on the general subjct of what happens to mail addressed to the boss.

The first hurdle faced by the user of direct mail with this group is the mail-opener, but the secretary is the challenge most frequently met. She opens 74.9 per cent of all mail, and much of what she doesn't open herself she sorts after it comes from some other desk where it is opened, so that she controls nearly nine out of every 10 mail pieces. Relatively little variation was found between agencies and advertisers, or between executives. Not even one boss out of 10 opens his own mail.

As to form letters, it was found that secretaries of national advertisers are slightly more choosy than their sisters in the agencies, but in neither one is more than 38 per cent of all circular letters placed before the boss. The general average is about one lucky letter to two unlucky ones.

Those secretaries who discriminate and try to read the boss' mind as to what will interest him place greatest emphasis on "interest" and "value" (56.9) and on pertinence to the company's business or to a specific account (23.5). Other mail referred to the boss includes such diverse items as census material, new types of advertising, tax matters, politics, pensions, trusts, new gadgets, new ideas in advertising or purchasing.

Advertising booklets and brochures have a better chance of reaching the boss than circular letters—47.5 per cent or roughly one in two. Here a big difference is apparent between advertisers and agencies. Secretaries of agency presidents refer 50 per cent of all such items to the executive, and with agency vice presidents the score goes up to 58 per cent.

But in the offices of national advertisers the chances of automatic referral are roughly as follows:

1 in 5 with the president
1 in 3 with the vice-president
1 in 2 with the general manager
2 in 3 with the sales manager

Because executives are so busy at their offices, many sellers of products and services find out their home addresses and send letters and booklets there. According to secretaries, executives resent this practice, so it doesn't pay.

—*Sales Management 4/47*

Government Aid for Sales Training

INDUSTRIES confronted with the increasingly pressing question of how to obtain properly trained salesmen who can sell can now get help from government sources.

The Vocational Education Act of 1946 authorizes large appropriations for vocational education, including $2,500,000 a year for "distributive education." Funds are administered by the U. S. Department of Education, apportioned to states in proportion to their populations, and are available to state educational directors and local authorities on a dollar-matching basis for administration, teachers, teacher-training, collecting educational information, and conducting classes for out-of-school students.

Under the Act, teachers for classes of sales trainees may be obtained through state educational directors, who have in their files the names and addresses of qualified men with teachers' certificates in marketing and salesmanship, who actually know selling, and who have experience in adult education. Each teacher handles classes only within his own state, and prepares his course and class procedure from the teaching manuals provided for the purpose.

To obtain this help, a company must provide the basic information needed to create sales training manuals and courses.

—LYMAN M. FORBES in *Commerce Magazine 6/47*

FINANCIAL MANAGEMENT...

Survey on Stockholder Relations

A CHALLENGE today—and one of management's opportunities — is how to make the understanding and good will of millions of stockholders an even greater asset both to their companies and to the enterprise system on which they depend. A questionnaire survey of 100 companies,* to determine how management is meeting this challenge, reveals encouraging progress and attitudes. But it also uncovers startling voids or only partially integrated stockholder programs. Analysis of the replies indicates that an enlightened, carefully considered, and well-rounded program of stockholder relations is still the rare exception.

Sixty-three firms responded to the question, "What are the most needed steps . . . to give stockholders a feeling of real participation in the affairs of the company?" A majority of the respondents stressed fuller and more informative reporting, and also urged progressive action, such as: "Maintain sound financial and employee policies"; "Cordial attitude toward suggestions"; "Survey stockholders as to interests."

Replies to four questions on what might be termed "the democratic relationships between management and investor" may be summarized as follows:

1. Asked "the technique or activity most effective in identifying stockholders' welfare with that of the company," the respondents voted overwhelmingly for informative annual and interim reports, friendly and comprehensive replies to inquiries, and personal interviews.

2. Queried on what can be done "to offset small stockholders' feelings of being outsiders," the majority voted for frank and informative reports, frequent and complete mailings about operations, trends, and plans, complete answers to letters, plant visits, and cordial handling of visitors.

3. Asked "What can be done to provide a better-informed stockholder opinion which would help prevent criticism of 'managerial self-perpetuation'?", the companies voted preponderantly for full and frequent information on operations and problems, personnel policies, background and responsibilities of officers, and reasonable salaries.

4. In response to an inquiry about "the most needed steps . . . to give stockholders a feeling of real participation in the affairs of the company," main emphasis in the 62 suggestions offered was on better reporting.

Every one of the 100 respondents distributes the company's annual report to others besides stockholders—about a third supplementing the report with special letters, notes, or cards of transmittal—yet only 19 reported sending it to employees! Reports are mailed to more than a score of other groups and organizations, particularly: banks and brokers (71 and 48, respectively), publications (36), customers, educators, business or community leaders, the trade, government officials and agencies, as well as to labor organizations (5), competitors (9), even to creditors, radio talent, etc.

Most of the companies studied pay regular dividends. Half of them regularly enclose printed matter with div-

* Conducted under the joint sponsorship of *Trusts and Estates*, the Association of National Advertisers, and the Verne Burnett organization.

idends; a quarter do so occasionally. More companies might well utilize dividend mailings as an opportunity to give a "free ride" to news about the business or a message from management.

The majority of companies reporting also mail printed material to stockholders aside from the annual report, proxy material, and dividend enclosures, such as letters regarding company developments, plant additions, court decisions, etc., quarterly or semiannual reports, company magazines, newsletters.

It is generally recognized that welcome letters to new stockholders make the new investor feel a part of the organization. Yet only half of the companies use such letters.

Eighty-one of the respondents gave figures on number of stockholders who attend annual meetings. In individual cases, the number ranges from "1 to 10" up to "500 to 600." From "20 to 50" was the attendance most frequently mentioned. Both because attendance is usually small, and because annual meetings often are held in remote places, only eight companies make special efforts to increase personal attendance. These include refreshments, product displays, films, informative talks, and provision for transportation. At least five companies hold successful *regional* meetings for shareholders, and another company is planning on bringing corporate "films, exhibits, and shows" to its owners in key centers.

While only 10 of the companies regularly acknowledge receipt of signed proxies—with one company intending to do so hereafter—this represents a forward step. Several express management's appreciation of proxy response in the annual report or in succeeding dividend enclosures. Not all companies need to acknowledge proxies, of course, but more might consider this friendly gesture.

Only one company has made a check to learn how many of its stockholders own shares in other companies. This question was asked because it can be valuable for a management to know the "dilution of interest" among its shareholders. If an average stockholder is also a part owner in 14 or 15 other firms, there is considerable competition for his attention and interest. The managements that treat him well are more likely to win his respect and loyalty.

About a third of the corporations say they receive infrequent or no criticism from stockholders about the company or its policies. Another third confesses to criticism. Criticisms most frequently mentioned center around such matters as dividends (too low), salaries (too high), earnings, officers' stockholdings. Volume of criticism has decreased in recent years—both because of improved earnings and more enlightened stockholder relations programs. Indications are, however, that stockholder criticism may again be on the rise.

Nearly half the firms—43—have encouraged stockholders to buy company products and services, or to "boost" them among friends. It appears that this kind of effort will be intensified (in consumer goods companies) as business moves into a more nearly normal and competitive market. Heading the list of means by which shareholders are encouraged to buy or promote company products and services are dividend enclosures, annual and interim reports, welcome and special letters—followed by a scattering of other mentions, institutional advertis-

ing, gift packages, and regional meetings, for example.

It is interesting to learn that only 11 of the companies have surveyed any or all of their stockholders as *individuals* by mail questionnaires or personal interviews—to obtain factual or opinion information from the part owners of the business. This device can occasionally be used most effectively by any firm. Opening up the *return* route of communication—from owners to management—it can uncover areas of misinformation or lack of knowledge and indicate remedies, provide data helpful in preparing the most acceptable reports and literature, reflect stockholder reactions to advertising, products, company policies and practices.

Three out of four respondents have assigned an official or department to supervise stockholder relations. In frequency of mention, stockholder relations is, in the following order, the responsibility of: the secretary, the president, the treasurer, and the public relations director—alone or with assistance of other officials.

By Verne Burnett. *Trusts and Estates,* May, 1947, p. 373:6.

Corporate Profits in 1946

CORPORATE profits before taxes for 1946 are estimated at $21.1 billion on the basis of corporate returns now available. The 1946 level represented an increase of almost a billion dollars over the 1945 total, though it was still almost three and a half billion dollars below the war peak of 1943. Profits after taxes, however, reached the record high of $12.5 billion, in contrast to the 1943 peak of $10.5 billion. The larger gain in profits after taxes was due to the elimination of the excess profits tax and reduction in the income tax from approximately 40 to 38 per cent at the end of 1945.

The rise in profits in 1946 reflects several influences which may be summarized in the recovery of corporate sales from the void left by the decline in government purchases. The first of these was a rapid expansion in the volume of production as civilian goods output was substituted for armaments and other military supplies. The second influence was the substantial rise in prices which occurred throughout the year, though to a much greater degree in the second half of the year than in the first.

—*Survey of Current Business 7/47*

Cash Dividend Payments

PUBLICLY reported cash dividend payments by United States corporations amounted to a record high of 1,117,500,000 for the first quarter of 1947—21 per cent more than the amount reported for the corresponding quarter of 1946. Publicly reported cash dividend payments account for about 60 per cent of all cash dividends paid.

Corporations engaged in wholesale and retail trade scored the largest increase during the first quarter of 1947, with a 67 per cent gain over the first quarter of 1946. Corporations classified in the heat, light, and power group paid out 28 per cent more in dividends. The miscellaneous group, consisting mainly of motion picture companies and transportation companies other than railroads, increased their payments 24 per cent. Mining corporations paid out 18 per cent more in dividends in the first quarter of this year than during the same period a year ago. Railroads showed an increase of 1 per cent.

—*Domestic Commerce 7/47*

Planning Equitable Retirement Benefits

THE most important provision of a pension plan is the one which fixes the amount of benefits at retirement. Before the details of a plan are worked out, management must decide what the retirement income of employees should be in relation to their earnings and services.

Benefits must be adequate rewards for faithful service and, further, must be sufficient for the beneficiaries to live on. The income from the plan when added to Social Security benefits should be large enough to permit retirement without dissatisfaction on the part of retiring employees, their families, their fellow-workers, or the public. That which should be of positive value in personnel relationship may become negative, and the object of criticism if pensions are too small. However, inasmuch as the success of a plan depends on its economic soundness, its terms must represent a balance between the need of adequate benefits and the company's ability to pay.

Benefits may be related to (1) average earnings, (2) final earnings, (3) average earnings of the last five years, (4) average earnings in the highest ten years, or (5) any other predetermined basis.

Merely to state benefits as a percentage of earnings does not tell the story. Obviously, if the benefits are based on average earnings during employment, they will be lower than benefits which are the same percentage of final salary. If benefits are based on the average of the last five years, inequities may result if an employee is demoted or if wages are low during that period; similarly, inequities may be caused by sharp increases in earnings because of inflationary factors.

A majority of the large, nationally known retirement plans base their benefits on average earnings. The reason seems to be that in this manner the current cost to the company is in proportion to the annual payroll and future costs may be estimated with a greater degree of accuracy.

Retirement allowances, including Social Security benefits, of 50 per cent of average earnings, or 40 per cent of the average of the highest 10 years, are generally regarded as adequate pensions.

There are three leading ways to provide retirement benefits:

1. Under the so-called Money Purchase Method the employer sets aside annually an amount equal to a fixed percentage of the pay of each participant, and in the majority of cases the employee matches this contribution. The amount provided by these contributions is paid after retirement in the form of an annuity. The main objection to this type of plan is that the older employees for whom contributions will be made for only a few years will receive a relatively small pension, whereas the younger employees for whom contributions will be made for many years will receive a relatively higher pension. However, many companies using this method supplement the pensions of the older group by past service benefits.

The principal advantage of the "Money Purchase Method" is that the contributions of the employer are based on a *fixed* percentage of payroll.

Its possible disadvantages may be overcome by providing for minimum pensions and past service benefits.

2. The Flat Percentage Method provides that each participant, upon reaching normal retirement age, shall be entitled to a flat percentage, such as 30 per cent or 35 per cent of compensation (average or final). Generally at least 15 years of service must be completed before an employee becomes eligible for a pension. Advocates of this plan stress its simplicity, claiming that each participant has little difficulty in determining the pension he will receive. Critics contend that the basis for benefits is unfair in that years of service over and above the required minimum are not rewarded.

3. The Annual Credits for Years of Service Method provides a percentage of compensation for each year of service. In most instances, the rate of benefit for past service is less than the rate for future service. In most instances, the rate of benefit for past service is less than the rate for future service. The reason for this is that past service benefits are generally based on compensation at the effective date of the plan—a higher figure than average earnings up to that time. Future service benefits, however, are based on actual future earnings. The following are common provisions for past service:

> ¾ of 1 per cent of compensation at effective date of plan for earnings up to $3,000, and 1 per cent of compensation at effective date of plan for earnings over $3,000, for each year of service prior to the effective date of the plan. For future service: 1 per cent of actual compensation for earnings up to $3,000, and 1½ per cent of actual compensation for earnings over $3,000. Benefits on earnings in excess of $3,000 per year are higher because such earnings are not covered by Social Security.

This method takes into account not only earnings during the period of employment, but also length of service.

Central Hanover Pension Bulletin, June, 1947, p. 1:2.

The Sales Manager and the Industrial Accountant

DEAN J. Hugh Jackson of Stanford University has pointed out that "the purpose of accounting is to aid management, not to find fault with it," and that the true purpose of the cost accountant is "the leading of management into a searching examination of its working plans, methods, physical facilities, and manpower, in order that defects and weaknesses may be discovered and corrected." This point of view is particularly important in laying out a positive program for collaboration with the sales manager, who can benefit immediately today from the development of new basis and new facts on which to develop postwar marketing and distributing plans.

The alert accounting officer will find that he can serve the sales manager in three distinct ways: by helping to improve the administration of the sales department; by serving as a link between the sales manager and in replanning product lines, prices, etc., on the basis of reliable facts and figures; and by assisting in the establishment and revision of sales and distributions plans

and policies. Let us now consider each of these functions in some detail.

Administration of the Sales Department. The accounting officer should plan specific studies of matters such as the following:

1. Sales compensation practices, including commission and bonus arrangements. These studies should be aimed at determining whether existing practices are equitable as between individual salesmen, whether they direct salesmen's efforts into the most profitable channels, and whether they bear a proper relation to the earnings of the business.

2. Branch office expense. Periodic review of the cost of maintaining branch sales offices, in relation to the sales and earnings of each, is necessary to guide the expansion, contraction, or elimination of such activities.

3. Advertising and promotion expense. Yardsticks for the objective appraisal of the sales return being produced by such expenses can be formulated by the sales manager with the assistance of the accounting officer to provide a factual basis for controlling these sizable expense items.

4. Salesmen's expense. Careful review of this item, again with a view to arriving at reasonable standards, often pays dividends through the elimination of extravagance and abuses of the expense account privilege. Furthermore, the accountant can be of assistance to the sales manager in establishing effective current controls over salesmen's expenses.

Providing a Link Between Production and Sales. The accounting officer will find several points at which the interests of these two departments can be more effectively harmonized if pertinent accounting facts are developed for their joint consideration. Four important subjects which should be covered in this connection are the following:

1. The proper composition of the product line, as to the range of sizes, colors, etc., to be offered in each quality. These decisions should be based upon the collective knowledge and judgment of the manufacturing executive from the standpoint of distribution and marketing economics, and of the accounting officer from the standpoint of cost economics.

2. The establishment of realistic price schedules, based upon comprehensive cost data, both direct and indirect, usually available to the accounting officer.

3. The establishment of adequate sales budgets. This may sound elementary on first consideration, but even in well-managed companies these budgets often do not meet the requirements of the case. An adequate sales budget is one which elaborates the basic dollar sales forecast into a schedule of unit sales by detailed product and type classifications, by appropriate time intervals, as an intelligent basis for forward planning of all elements of the business.

4. The development of economic studies and business forecasts. The introduction of new products and services, as well as the expansion and contraction of existing product lines, should be based upon reliable economic studies and business forecasts. The industrial accountant should provide management with continuing advice on the general business outlook, price trends, cost of living trends, and similar factors affecting the production and consumption of products marketed by the company.

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the sales manager is constantly faced with many complex problems whose solution requires intensive analysis of facts often available in the accounting department. There are at least three major phases of the sales program which should be periodically appraised or replanned with the advice and assistance of the accounting officer:

1. Sales objectives and quotas. The accountant's knowledge of the present distribution of sales by states, countries, cities, territories, etc., provides many of the basic data required in replanning sales objectives and quotas.

2. Product promotion policies. Changing consumer demand, induced by competitive conditions, technological advances, and similar factors, is often clearly reflected in the sales trend of individual product lines. The accounting officer who maintains continuing scrutiny of sales volume trends by products can readily identify abnormal or unforeseen sales variations, and thus focus attention on desirable revisions in product promotion policies and programs.

3. Marketing and distribution policies. Sales managers who are not conscious of the cost of servicing accounts of various types and sizes often neglect to establish realistic objectives as to the kind and size of accounts which should be sought. The accounting officer should therefore test current distribution policies against questions such as the following, where they are applicable:

a. Should distribution be restricted with respect to the type or number of accounts to be sought in various localities?
b. Should accounts whose annual purchases are low be replaced or dropped if more satisfactory volume cannot be obtained?
c. Should a minimum order limit be set to screen out unprofitable orders?
d. Can accounts in small towns or accounts whose annual purchases are low be serviced more economically by the use of jobbers or a mail order plan of sales coverage?
e. Are there large volume accounts whose purchases are not profitable because of the type of product bought or the unusual installation and maintenance services required?

The above questions suggest the scope of the critical appraisal of distribution policies which the alert accounting officer may undertake. Of course, the entire program outlined here is probably not applicable in every situation, but it poses the primary considerations against which the accounting officer can evaluate the adequacy of his present relationships with the sales manager.

By Mark W. Cresap, Jr. *N.A.C.A. Bulletin,* May 15, 1947, p. 1128:10.

Trend Toward Greater Adequacy in Benefits

THE following appear to be the major trends in annuity plan benefits: (1) Plans are aiming at pensions of 50 per cent of "final average pay," which means a level of 2 per cent of current pay (inclusive of Social Security benefits) for each year of service, as contrasted with a level about ⅓ to ½ lower 10 to 15 years ago. (2) Employees are contributing an average of 25 to 30 per cent of the future service costs, as compared to 40 to 50 per cent of such costs 10 to 15 years ago. (3) Plans are aimed at covering practically all regular permanent employees as contrasted to selected groups of employees, which latter practice was common from 1935 to 1945.

—*The Journal of Commerce 6/16/47*

INSURANCE...

Insurance Flood

TOO MUCH business is haunting the fire insurance and casualty insurance industry. Instead of being cheered at the prospect of writing policies at an unprecedented rate, company officials are glumly taking steps to dam the flood of business. First line of defense is a selective attitude on new business and a choosy attitude on renewals. There is a growing tendency, also, for companies to divorce themselves from insurance sales agencies which have poor records. Some firms have temporarily suspended writing certain lines of business.

Among factors responsible for the new limitations are: too much business in relation to capital and surplus; high settlement costs because of inflated prices; the sharp bulge in number of claims; a jump in general costs of doing business; a lag in the rise in insurance rates.

In view of current conditions, some companies already are taking steps to increase their capital; others will follow.

The primary reason for the big demand for insurance is the current high price for just about everything insurable. A prewar $6,000 house, for example, is apt to cost $12,000 to replace. That implies double the amount of insurance and double the premium.

In 1946, fire insurance companies whose stock is owned by the public (stock companies) wrote net premiums of about $1.7 billion. That was a record, 32 per cent above 1945; the rising trend continues this year.

But these fire companies have likewise experienced a sharp jump in loss payments. Fire losses in the United States last year climbed to $554 million, just a little short of the record peak of $562 million in 1926. They appear easily headed for a new record this year; the January-June total is $318 million—26 per cent above the same period in 1946.

Figures compiled by the National Bureau of Casualty and Surety Underwriters show the casualty companies lost nearly $49 million from underwriting operations in 1946. They had earned premiums of $1,030 million and total losses and expenses of $1,079 million. The two big factors were a loss of over $40 million in automobile liability insurance and a loss of $38 million in auto property damage.

Between them, the fire and casualty firms sell every type of insurance except life insurance. Now, companies shy particularly from requests for insurance on plants or premises where valuable facilities or products are concentrated. Some insurance brokers are having difficulty persuading underwriters to insure truck fleets against property damage and liability. Others say companies discourage writing renewals on premises in areas where the past fire experience has not been satisfactory, or where it is suspected the future may be hazardous. A mush-

roomed war plant not doing too well in its civilian operation gets a cold reception from the fire companies. Likewise, the integrity of company managements is receiving extra-cautious scrutiny. Insurance men know from experience that there are more than a normal number of fires among firms operating at a loss.

Unhappy brokers, shopping around in the present sellers' insurance market, are warning that worsening conditions might bring agitation for state insurance. According to insurance authorities, however, such fears are unjustified by present conditions or anything foreseeable.

Meanwhile, the New York Insurance Department states that it has had no complaints of absolute inability to get insurance on legitimate risks. The department is well aware of the current tight situation. It has suggested to some companies that they are getting beyond a "conservative volume" of business in relation to their capital and surplus. Such firms have been advised to think about restricting underwritings.

A stop-and-look warning is provided insurance company officials and regulatory authorities by an old rule of thumb. This relates the capital and surplus of an insurance company to the amount of premiums written. In the case of a fire insurance company, this rule—conservatively applied—says a year's premiums should not exceed the capital and surplus. For casualty companies, the measurement is more liberal. The year's premiums may be twice the capital and surplus. This is only an informal rule.

The State Insurance Department is ready to act on any complaints about inability to get insurance. It has a legal weapon to use immediately. This is a bill passed at the latest session of the New York legislature. Under it, a rejected risk may be insured at higher rates with the consent of the Superintendent of Insurance. The application for special insurance must come from the person wanting it.

Another outlet for tough risks is a pool of companies which will take automobile insurance at a special rate if a prospect has been turned down by three individual firms. This is done when the Superintendent of Insurance so directs.

A glance at last year's insurance statistics quickly reveals why the Insurance Department has warned that underwritings be restricted in some cases. When premiums written are compared with capital and surplus, many companies are seen to have exceeded the conservative ratios. They vary from moderate to extreme, and some companies' ratios are pushing the extreme classification.

Normally, reinsurance is relied on by insurance companies to absorb part of their business and spread the risk. This avenue now, however, is limited. By and large the reinsurance companies have become as choosy as regular insurance companies—and for the same reasons.

Surplus of the insurance companies, of course, can be boosted by raising new capital. Companies already headed in this direction include Aetna Insurance Company, Continental Casualty Company, and National Union Fire Insurance Company of Pittsburgh.

By Harry T. Rohs. *The Wall Street Journal,* June 24, 1947, p. 1:2.

Duties of the Insurance Buyer

IN ADDITION to an insatiable curiosity regarding his company's insurance program and the adequacy of the protection it affords, the insurance buyer must have a thorough knowledge of the policy of his management with respect to insurance. Following are some of the questions to which he must know the answers:

1. Is management a minority stockholder with heavy responsibility to other stockholders?
2. Is management a trustee for minors?
3. Is management the sole owner, responsible only to itself so far as insurance losses are concerned?
4. Is the financial structure of the corporation such that heavy bank loans are necessary at times?
5. Is the bonded indebtedness ratio high?
6. Is the ratio of fixed assets plus inventories to total assets high?
7. Are the properties (including inventories) widely dispersed or heavily concentrated?
8. Is the manufacturing process simple or complex—does it require special facilities such as access to raw materials, location near market centers, specially built machinery, highly skilled labor?
9. Is management obliged to buy insurance in definite markets to the exclusion of others, or will it buy in the competitive market as does its purchasing agent when he buys raw material?
10. Is the insurance buying policy of management based on habit, sentiment, or business judgment?

The buyer may find it necessary to make a study of his current insurance program. Some of the points he must consider follow:

Suppose he starts with the Property Damage line—say the main plant, which comprises five buildings, equipped with manufacturing machinery, and housing inventories in various amounts and stages of completion. He examines the fire insurance policies and notes that he is covered "for an amount not in excess of the actual cash value of the property at date of loss," that the policy applies only to "described property," and that it contains a 90 per cent co-insurance clause—a two-way agreement whereby the insurance company agrees to a rate concession and, in consideration thereof, the insured promises to carry insurance equal (at least) to the prescribed co-insurance percentage of the *insurable value* of the property.

He finds that the policy covers "building, equipment and stock," and he wonders "Shall I use gross or net book value; appraisal values; arbitrary values? Do we have an appraisal? Is it current or old? How was the amount of insurance now carried originally determined? How long ago?"

Patterns belonging to others are in the plant. Customers are sending in unit parts for machining. The buyer finds that the present policy covers "property of others for which the insured is legally liable." He finds that finished goods are insured at selling price (less unincurred selling expenses) and makes a note to see whether or not this item is recognized in the schedule of values on which the amount of insurance was determined. Employees' clothes and tools present a similar question. The buyer must *know the values* of drawings, dies, patterns—every item to be covered by insurance.

He must know and be familiar with the various insurance bodies of authority and know whom they represent.

He must know insurance markets and the functions and methods of operation

of the various underwriting groups.

To record policies and information concerning coverage which will be helpful and readily available is another responsibility of the buyer. He may find it convenient to maintain an indexed binder or policy briefs set up to present in summary form the essentials of each policy.

In the past, the answer to the question of whether the insurance premium for a certain line was low or high was sought through the unscientific practice of opening key lines to competitive bids at every expiration date. This practice works to the disadvantage of the buyer, because it causes many desirable insurance companies to tire of submitting unsuccessful quotations year after year. Many buyers feel that if a reasonably sound deal has been made in the first place, and if the carrying company is watched (and that means records) and the buyer knows his market, rarely will it be necessary to open lines to competitive bidding more often than once in from three to six years.

At this point, while we are suggesting what might be called "remedies at the disposal of the dissatisfied insurance buyer," it may be appropriate to mention the subject of self-insurance, its opportunities and its pitfalls.

There are many types of losses which lend themselves to a program of partial or full self-insurance. Certainly, potentially small, non-catastrophe, frequently recurring losses warrant the buyer's consideration as risks which may be self-insured. A special reserve might be set up for self-insured losses, or at least provision might be made for such losses in a bulk Contingent Reserve. Such a reserve, built up by small annual provisions, may soon become adequate to absorb fairly substantial losses. A word of caution may be suggested in the following questions: (1) Is this risk a potential catastrophe? (2) Are losses apt to be recurring and small? (3) Compared with the maximum probable loss, is the premium reasonable?

While the foregoing is somewhat of an exploratory side trip into the realm of self-insurance, it suggests to the thinking buyer that he accept another responsibility: View the question of self-insurance with a cautious, yet open, mind.

Depending upon individual circumstances, including the organization chart and the practical application of the lines of authority shown thereon, the buyer must shoulder another responsibility: Educate his associates who negotiate contracts to consult him with respect to the insurance requirements thereof. The following excerpts from two agreements, both of which were routed over a buyer's desk for deposit in the files, illustrate the need for this precaution:

> . . . and the Lessee [the buyer's corporation] further agrees to keep the building in good repair, fire or other hazard, not caused by the negligence of the Lessee, excepted.

> . . . and the buyer [the buyer's corporation] hereby agrees to hold free and harmless the seller from all claims for damages arising out of defects in the product.

Finally, the insurance buyer should be thoroughly familiar with insurance legislation.

By P. M. Gahagan. *Credit and Financial Management,* March, 1947, p. 26:7.

Survey of Books for Executives

THE AMERICAN INDIVIDUAL ENTERPRISE SYSTEM: *Its Nature, Evolution and Future.* By The Economic Principles Commission of the National Association of Manufacturers. McGraw-Hill Book Company, Inc., New York, 1946. Two volumes. 1,119 pages. $10.00.

*Reviewed by Sumner H. Slichter**

The twentieth century world is breaking up into highly diverse economic systems. This diversity invites comparisons. It is important for the people who live under each economy to understand the basic characteristics of that economy and its points of weakness and superiority as compared with other systems. This study undertakes to make a much needed analysis of the nature of the American economy.

The book contains much useful material, particularly factual and statistical, about various aspects of our economy. Such generally ignored topics as government corporations and grants-in-aid to states are treated at length. There is an extended discussion of public finance. The accomplishments of the American economy, particularly its amazing productivity, are set forth more fully than is usually the case in general books on economics. How many Americans, for example, know the extent to which capital invested per wage earner has increased during the last hundred years or how rapidly per capita national income has risen? How many Americans realize that three-fourths of the world's automobiles and over one-half of the world's telephones are owned by the six per cent of the world's population who live in the United States? How many people know that between 1900 and 1940, when the population of the United States was roughly doubling, attendance in secondary schools increased tenfold and in colleges and professional schools sixfold?

Surely the accomplishments of the American economy are impressive—more so than is realized in this country or in other nations. Nevertheless, this book is on the whole disappointing. Though it contains much information, it cannot be counted upon to enlarge the reader's wisdom or his insight into the basic nature of the American economy or its problems. It is heavily loaded with "conclusions," the reasons for which are inadequately stated. Hence even when the reader happens to agree with a conclusion, he feels he is being treated in a somewhat arbitrary fashion. He is not treated as a grown-up, but rather as one who ought to accept certain conclusions because the authors accept them. This method of treatment makes the reader inclined to disagree whenever he can.

The study gives considerable attention to the problems of the economy, but the balance of its emphasis is somewhat puzzling. Quite properly the authors are deeply concerned at the rapid rise in government spending over the long term. Quite properly also they are concerned over the problem of unemployment. "It is probably not too strong to say that the very future of the Individual Enterprise System depends upon the working out of a satisfactory solution of the unemployment problem." This view (p. 1030) will command widespread assent. If solution of the unemployment problem is so vital, however, why do the authors have so little to say about it? Why are their suggestions on certain matters, such as consumer credit (p. 660), so feeble and indefinite?

The work is a disturbing and somewhat depressing one. Is the outlook of the American business man in 1947 so narrow and so lacking in vision as this book seems to indicate? Has American business learned so little from the Great Depression and from its experience under the Roosevelt administration as this book implies? The authors conclude with the view that "unless the American Individual Enterprise System is hamstrung by needless bureaucratic regulation and unbearable governmentally imposed burdens, it can more than hold its own in the postwar period." Nothing about the responsibilities of business men, nothing about the need for vision and wisdom among business managers. The authors regard the problems of the American economy as problems that spring wholly from the government. Rarely is the government viewed as a useful instrument for accomplishing social purposes. It is simply an agency which imposes burdensome regulations! In an economy of private enterprise the policies of business are bound to be of the highest importance. The authors do not see this—or else they take it for

* Lamont University Professor, Harvard University.

granted that the policies of business will be well-informed and wise. I do not think this book is truly representative of the thinking of American business, but perhaps I am wrong.

A REBEL YELLS. By H. Frederick Willkie. D. Van Nostrand Company, Inc., New York, 1946. 311 pages. $3.00.

*Reviewed by D. F. Copell**

Never to my knowledge has any book been so aptly titled as Mr. Willkie's.

In his introduction, he states: "We can be sure that industry is here to stay. The only question involved is how industry is to be administered. It is quite possible that there has already been too much 'defense' and 'attack,' without enough thoughtful, honest consideration of the real issues involved."

The cure for our present industrial ailment will depend on "how skillfully industry can determine the needs of the people and upon how honestly industry can fulfill these needs,"

"The public believes it has taken a lacing at the hands of industry; whether or not this is true as a generalization—and there appears to be plenty of evidence to support it—it is really only an academic question.

"The important thing is that the public believes it to be true and acts accordingly."

Coming from a successful leader in this much condemned industry, these sentiments are indeed those of a rebel.

A wide gap exists between management and labor today, but this gap cannot be advertised away. Industry's present course of action and thinking—which the author calls a mere embroidering of the present capitalistic system, a glorification of the profit motive, or an attempt to justify the status quo—can lead only to collectivism, Mr. Willkie contends.

His contention that future operating principles must be based on human psychology is well founded, and the entire book offers a carefully devised, highly practical approach to enlightened leadership through a clearly defined social path to industrial peace via education. Industry's hope for the future lies in breaking down the engineer's preoccupation with his immediate field, and in motivating him to seek out and solve human problems, declares the author. How appropriate such a proposition is can be judged only by analysis of the work of industrial leaders in the past 20 years, and by the meager results obtained through the conventional method. Maybe we need a rebel to straighten us out before we completely fall prey to government control!

* Professional Engineer, Newark, N. J.

The objective proposed is to develop the individual not only in his technical capacity but in all other aspects as well, so as to produce for industry a well-rounded personality who, by reason of his breadth of cultural, scientific, sociological, and economic outlook, can function effectively in any environment.

Mr. Willkie's discussion of the educational approach which he advocates is highly interesting and practical.

We must, he states, "abandon our usual practice of training an employee only in those skills which contribute to his immediate usefulness. A worker who has been taught that he can and will think, who knows how to make the most of his time and energy, who correlates all of the factors of his job in terms of the results he wishes to achieve, who analyzes his job in terms of efficiency of equipment, of his own motions and their implications, is freed from the sense of frustration that comes from mere meaningless repetition of mechanical tasks."

To achieve this, we must have proper selection, well-defined and coordinated induction, and liberal training so as to *produce* educated, trained men instead of *training* well-educated men.

Last February, this reviewer had an opportunity to visit Mr. Willkie's company and take a "look-see" at his program. His planned system of rotation, which provides individuals with experience on many jobs and thereby broadens their understanding, is proving invaluable and has been well accepted by his subordinates. By rotating young men from job to job, industry can develop an informed, versatile crew that could not be turned out by any existing educational institution, Mr. Willkie declares.

As a supplement, he suggests an exchange of personnel with other industries on a "guest employee" basis, cooperation with universities in research, and "traveling fellowships," so that employees may gain first-hand knowledge of industrial problems in general.

The book advocates placing the development of men at the head of the list of industry's responsibilities. Profits will not suffer at the hands of an industrial leadership that brings industry into better repute with people at large, that develops workers capable and desirous of doing their best as members of our industrial society.

A Rebel Yells should be read by every executive and supervisor who is interested in finding a workable solution to our present labor, management, and public relations problems.

PUBLICATIONS RECEIVED

[Please order directly from publishers]

Effective Business Writing. By C. B. Williams. The Ronald Press Company, New York, 1947. 427 pages. $4.00.

Standard Costs for Manufacturing. By S. B. Henrici. McGraw-Hill Book Company, Inc., New York, 1947. 289 pages. $3.50.

Bank Frauds: *Their Detection and Prevention.* By L. A. Pratt. The Ronald Press Company, New York, 1947. 248 pages. $4.00.

Essentials of Business Law. By S. G. Getz *et al.* Prentice-Hall, Inc., New York, 1947. Third edition (revised). 455 pages. $3.00.

Applied Industrial Mathematics. By O. B. Jones. Prentice-Hall, Inc., New York, 1947. 342 pages. $4.00.

How to Hold an Audience Without a Rope. By J. Lee. Ziff Davis Publishing Company, New York, 1947. 280 pages. $3.00.

Organization and Management in Industry and Business. By W. B. Cornell. The Ronald Press Company, New York, 1947. Third edition (revised). 819 pages. $5.00.

The Credit Side of Selling. By E. B. Moran. The Dartnell Corporation, Chicago, 1947. 126 pages. $1.50.

Inventions and Their Management. By A. K. Berle and L. S. de Camp. International Textbook Company, Scranton, Pa., 1947. Second edition (revised). 742 pages. $6.00.

Men at Work. By C. A. Oakley. University of London Press Ltd., London, 1946. Second edition. 301 pages. 8*s* 6*d*.

The Shadow of "102" on Dividend Policies: *With Emphasis on the Immediate Tax Problems of Small Corporations.* By E. B. George and R. J. Landry. Dun & Bradstreet, Inc., New York, 1947. 34 pages. Gratis.

Protection of Records. National Fire Protection Association, 60 Batterymarch St., Boston 10, Mass., 1947. 63 pages.

The Psychology of Everyday Living. By E. Dichter. Barnes & Noble, Inc., New York, 1947. 239 pages. $2.50.

Credit and Collection Principles and Practice. By A. F. Chapin. McGraw-Hill Book Company, Inc., New York, 1947. Fifth edition (revised). 654 pages. $5.00.

The Federal Unemployment Tax. *Publication No. 33,* Research Council for Economic Security, 105 W. Monroe St., Chicago 3, Ill. 10 pages.

House Magazine Layout. By K. C. Pratt. The Champion Paper and Fibre Company, Hamilton, Ohio, 1947. 42 pages.

How to Make Friends with Labor. By H. S. Minot and L. Zasloff. Arco Publishing Company, Inc., New York, 1947. 86 pages. $2.50.

Auditing Procedure. By D. C. Eggleston. John Wiley & Sons, Inc., New York, 1947. Third edition. 438 pages. $5.50.

Say It With Figures: *A Manual for Statisticians in the Field of Consumer and Opinion Research.* By Hans Zeisel. Harper & Brothers, New York, 1947. 250 pages. $3.00.

Insurance Principles and Practices. By R. Riegel and J. S. Miller. Prentice-Hall, Inc., New York, 1947. Third edition (revised). 788 pages. $6.75.

Railroad Wages and Labor Relations—1900-1946: *An Historical Survey and Summary of Results.* H. E. Jones, editor. Committee on Public Relations, Eastern Railroad Presidents Conference, 143 Liberty St., New York 6, N. Y. 351 pages.

Introduction to Business. By R. E. Glos and H. A. Baker. South-Western Publishing Co., Cincinnati, Ohio, 1947. 730 pages. $4.25.

Business-Sponsored Educational Films. Committee on Consumer Relations in Advertising, Inc., 420 Lexington Ave., New York 17, N. Y. 94 pages. $2.00.

Men Who Control Our Universities: *The Economic and Social Composition of Governing Boards of Thirty Leading American Universities.* By H. P. Beck. King's Crown Press, New York, 1947. 229 pages. $3.00.

The AMA Roundup

[A complete check list of publications issued by the Association since the May *Roundup.* Readers interested in any publications which they do not regularly receive under their company's membership may order them from the Association.]

CONFERENCE SERIES

PROD. 174—HOW TO DEVELOP COMPETENT SUPERVISION (Development and Rating of Supervision; One Million Management Spokesmen; Selection and Development of Foremen) . . . . $ .75

PROD. 173—MODERNIZING MANUFACTURING AND PRODUCTION CONTROLS (Production Control Through Control of Materials; Mechanizing Production Control Procedures; Practical Applications of Quality Control Principles; Incentives for Inspectors; What's New in Materials Handling?) $1.00

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G. M. 139—MODERN MANAGEMENT PRACTICES AND PROBLEMS (Changing Aspects of the Personnel Function in Management; Production Problems and Policies; Office Organization and Personnel Trends; New Aspects of Distribution; Financial Policy in Relation to Changing Economic and Social Conditions; Changes Influencing Insurance Buying; Package Development and Merchandising) $1.00

SPECIAL RESEARCH REPORT

RES. REP. NO. 11—HOW TO PREPARE AND MAINTAIN A SUPERVISORS' POLICY MANUAL . . Members $2.00
Non-Members $3.00

PERSONNEL MAGAZINE

(May, 1947)

When Organizations "Go Soft"; An Outline of Personnel Activities; Recruitment and In-Plant Training of College Graduates; Solving the Problem of Merit vs. Seniority in Layoff; A Case Report on Employee Rating; Employee Participation in the Promotion Program; Essentials of a Management Personnel Policy; What's Your Management I. Q.?; An Organized Approach to Training; Index to Vol. 23.

(July, 1947)

The Function and Scope of Personnel Administration; Winning Combinations in Personnel Administration; A Joint Management-Labor Merit Rating Program; Scientific Selection of Sales Engineers; Arbitration: Bargaining for Your Clause; Personnel Records and Statistical Charts; A Program of Salary Administration; Do You Really Want Freedom from Work Stoppages?; The Practical Negotiation of Union Security Clauses.